

# **FINANCIAL RISKS OF THE RUSSIAN BANKING SECTOR**

**Case: PJSC "Sberbank of Russia"**

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<p>Abstract</p> <p>The objective of this thesis was to explore the key reasons for changes to the risk level of the public joint-stock company "Sberbank of Russia", Moscow, where the probability of facing risks in the financial market has significantly increased in recent years due to the unstable economic situation.</p> <p>As the research strategy, the case study was chosen with a quantitative approach used for the data collection. The data for the analysis was retrieved from the annual accounting (financial) statements of the case bank provided by the company for this research. A statistical analysis was applied to identifying and analyzing the key indicators of the financial activities and the components of the credit and liquidity risks of the bank. Finally, the three major risks including the liquidity and credit risks and capital adequacy and their influence on the financial activities of the bank were analyzed.</p> <p>The results indicate that the public joint-stock company "Sberbank of Russia" has a strong financial position and that its capital meets the requirements of the Bank of Russia and those of the Basel Committee on Banking Supervision. However, there was an increase in the volume of hopeless and problematic loans and in spending on the reserves for possible losses, which resulted in a lower profit, and in a tendency for the major risks to increase. Based on the findings of the present study, recommendations were provided for enhancing the current level of risk awareness and for eliminating the related negative consequences.</p>		
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## **ABBREVIATIONS**

ATM Automated Teller Machine

BCBS Basel Committee on Banking Supervision

FRS Federal Reserve System

FX Foreign Exchange

LLC Limited Liability Company

MLN Million

OJSC Open Joint Stock Company

PJSC Public Joint-Stock Company

RAS Russian Accountant Statement

RUB Russian Ruble

RSFSR Russian Soviet Federative Socialist Republic

VAR Value-at-Risk

# 1 INTRODUCTION

## 1.1 Risk Management and Russian Banking Sector

There is a simple example from everyday life. When one wants to cross the road, he/she would meet traffic on his/her way. In order not to get hit by a car, one has to follow the traffic regulations and to cross the road at a pedestrian crossing, and only on a green traffic light. Obeying those rules allows one to save his/her life. On the financial market, as well as in real-life, there are a number of rules that one has to follow in order to "save the life" of a financial institution. Those rules are studied by risk management and allow the institution not only keep its position on the market but also increase its revenue. (Kirilov 2016.)

There is always some risk exists in the financial market, which make the actors to be accurate in their decisions (Doba 2009, 74). "Risks have to be managed by an enterprise. Otherwise, those risks would manage the enterprise" (Kirilov 2016).

In recent years, the Russian economy has been facing serious challenges. The powerful shakes in the Russian economy in 2014 were primary provoked by geopolitical events, followed by a flurry of tough sanctions by the US and EU countries. At the end of the year, even people far from the finance world were enthusiastically watching the fall of the ruble and the collapse in oil prices. At that time, analysts of all types were predicting the imminent and inevitable collapse of the country. Those negative forecasts had all chances for realization. Nevertheless, due to the visionary Russian economic policy, after a while, even the most essential experts have to agree that there are a number of positive changes at the macroeconomic level. Despite the pressure of the sanctions, the country managed to set a stable growth according to the major economic parameters (for instance,

the inflation rate is slowing down). (*Экономика России* [Russian Economy] 2016.)

The banking sector is one of the most sensitive ones for currency fluctuation, economical as well as political instability. Thus, the recent years turned out to be challenging for Russian banks (ibid.). It is interesting to note that the number of banks went flop, however, others managed not only keep their positions but also to gain benefits from the economic situation. That can be explained by the ability to forecast future risks and prepare the banks to meet those, as well as the ability of the risk management departments of the banks to create the most suitable way to treat those risks in order to gain from them (Orlov 2003, 140-159). The challenge of forecasting and managing the risks in the Russian banking sector is a crucial topic for Russia today.

Due to the instability and specifics of the Russian economy, besides focusing only on the risk management techniques, it is important to *recognize the major elements from the balance sheet of the bank that have influence on the change in the major risks faced by the banking sector*. In order to find those elements, the PJSC "Sberbank of Russia" was chosen as a case for the study.

## **1.2 Research Problems and Objectives**

As a banking institution such as PJSC "Sberbank of Russia" operates with the money, which does not actually belong to them, the ability of the bank to meeting its obligation for their clients depends on the way the bank manages those money, and what quality of financial management is inside the enterprise. In case when the bank is meeting the the financial risks, not only the enterprise itself is facing issues, but also the the clients of the bank, how are highly dependent with their finance on the bank. That is why forecasting banking risks and wise management of those are a crucial

aspect for the banking sector, that have to be studies and developed. The [1] establishment of the strong theoretical framework comprehends to [2] the development of the research questions:

- What risks the banking industry facing during its activities?
- What are the key indicators reflecting the level of the liquidity risk, credit risk, and capital adequacy?
- What is the current level of the indicators listed above in the case company portfolio?
- What are the elements of the bank's acclivity are influencing on this level?

As the following step is the [3] exploration of potential research methods and design of the research, strategy of its implementation and the data collecting and its analyzing methods, which followed by the [4] actual collection of data and its further analysis. The last parts are [5] conclusions, recommendations, and discussion, which intend to underline the crucial factors identified during the implementation of the research. The research is leaded by the ultimate aim, which is: to analyze the main indicators that reflecting on the level of risks of PJSC "Sberbank of Russia" and to suggest possible actions to improve those indicators in order to reduce the riskiness level.

## 2 THEORETICAL FRAMEWORK

The main topics are concerned with risk management in banking sector, while focusing on the nature of risks, risks in banking sector along with the techniques to managing those. Furthermore, the focus will be made on the risks the Russian banking sector meets during its operations on the market through familiarizing with specifics of the Russian banking sector and the main risks as well as the ways of managing those used by the country.

### 2.1 Dynamics of Risks

This subchapter is designed in order to explain the nature of risks and the main principles in risks typology. Thus, the reader will be provided with the background information needed for a better understanding of the risk management processes of a financial organization.

#### 2.1.1 Meaning and Nature of Risks

Risk is about some unexpected event that occurs in the future either in normal life, sport events, outdoor activities, working activities, trade or businesses. For instance, Cambridge Dictionary (Cambridge University Press n.d.) defines risk as "danger, or the possibility of danger, defeat, or loss", and Merriam-Webster Dictionary (Merriam-Webster n.d.) defines it as "possibility of loss or injury". Some people considered risk as a negative event, while it is not always true. According to Business dictionary (WebFinance n.d.) risk is "a probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action". In other words, risk could be defined as an *uncertainty about some future events or circumstances*, that could have *both negative as well as positive impact*. Risk could not be either good or bad by its nature as it is a



probability of hazard and depends on how well one could operate the risks it could result in losses as well as gains. Risks may be two types: (1) *threats* (negative affect) and (2) *opportunity* (positive affect). (Mamis 1991.)

It occurs that every aspect of our life is could not be completely risk-free, however, risk must be understood as potential unpredictable results, which may cause positive or negative effects to their recipients. That is way it plays a big role in balancing between gains and losses. (ibid.)

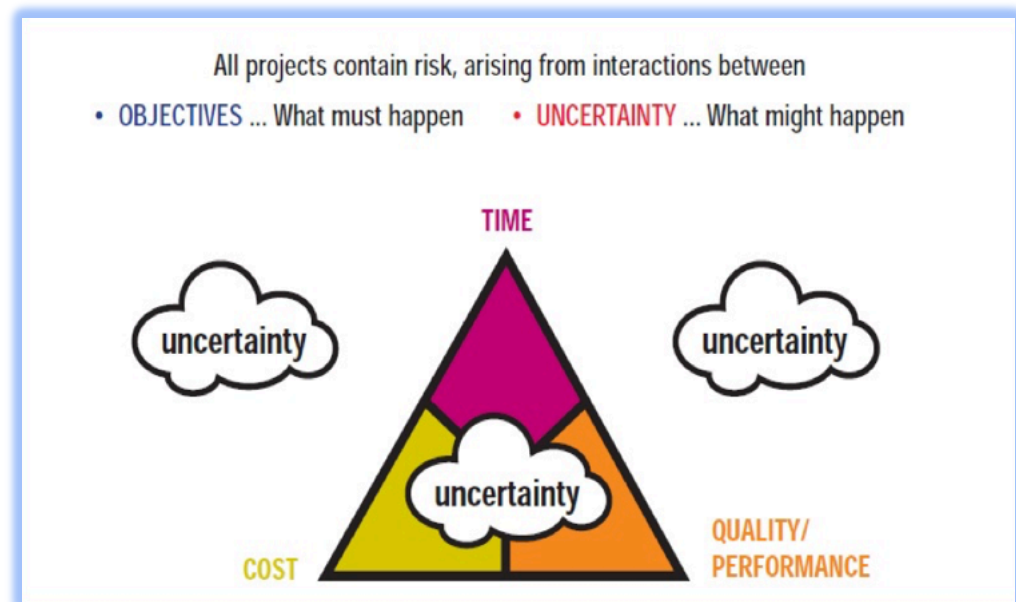
The Chinese hieroglyph for the crisis (see Figure 1) provides much better description of risk. The first part of it means "danger" when the second one means "opportunity", which make the risk a mix of danger and opportunity. If we will think about that, we could come to the conclusion that there are actually no opportunities possible without any risk. (Damodaran n.d.a., 5.)



**Figure 1. Chinese Symbol for Crisis/Risk (Damodaran n.d.a., 5)**

According to Hillson (n.d.), risk is not the same as it is rather uncertain and it can only be defined in relation to the objectives. Risk is "an uncertainty that if occurs could affect one or more objectives". At the same time, risk

management studies risk in the context of real risk, which is defined as “uncertainties which if they occur will have a positive or negative effect on one or more objectives”. The Figure 2 illustrates arise of a risk from the effect on uncertainty on objectives. Anytime objective or aim to achieve is arisen, there will be a risk to their successful achievement. That fact clears that every aspect of the life is risky and understanding the risk and its structure is highly important in any business context. (6-7.)

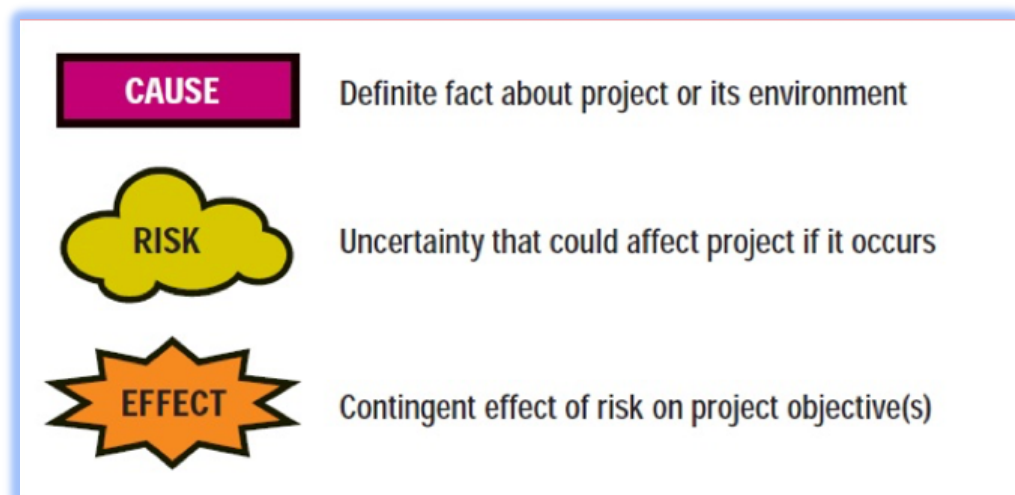


**Figure 2. Risk Arises from the Effect of Uncertainty on Objectives (Hillson n.d., 6-7)**

Knight (1921) supports the claim made by Hillson and defines the risk as uncertainty that could be quantified. That means that if it could not be quantified, the uncertainty should be treated as uncertainty. To illustrate that, Knight considered the situation where two individuals drawing from an

urn that contains red and black balls. The first person does not pay attention to how many balls of each color in the urn whereas the second person is aware that there are three red balls for each black one in the urn. According to the author, the first individual is faced with uncertainty, when the second individual is faced with risk. (197-230.)

Hillson (n.d.) suggests that any risky action can be described as three main elements, including the causes of risks, the genuine risks, and the effects of risks (see Figure 3). Causes are some events or sets of circumstances of the project or its environment, that bust rise of uncertainty. Risks the author understands as uncertainties which could affect achievement of the goal either negatively (threats) or positively (opportunities). The last one is effects and they understood as unplanned variations from objectives, that could be either positive or negative, which results of risks occurring. (6-7.)



**Figure 3. Cause, Risk and Effect (Hillson n.d., 6-7)**

At the same time saying that risk comprehend of only measurable uncertainty illuminates new or unusual risks. Damodaran (n.d.a.) states that makes process of risk management a tricky one. Because of most of us have become adept at measuring and quantifying risks, which allowed analysts and managers to hide behind those numbers. Damodaran notified that they are using either of two excuses: (1) "we are better at measuring risk today than we were in the past" and (2) "measuring risk means that we are managing risks". Even today we have more powerful methods to measure risks, there are new and more complex risks because of globalization and technology that we have to deal with nowadays. Moving to the second point, having access to better information does not necessarily leads to superior decisions. The decision maker has to make the right decision on his own based on the information he is obtaining about risk exposures, even if the risk itself was measured well. (4.)

### **2.1.2 Meanings and Types of Banking Risks**

The *bank risk management system* is a set of methods implemented by the bank's staff, that allows to provide a positive financial result in the presence of uncertainty in bank's activities, to predict the risky events, and to take suitable actions to eliminate or reduce the adverse effects (Lavrushin & Valentseva 2016, 20).

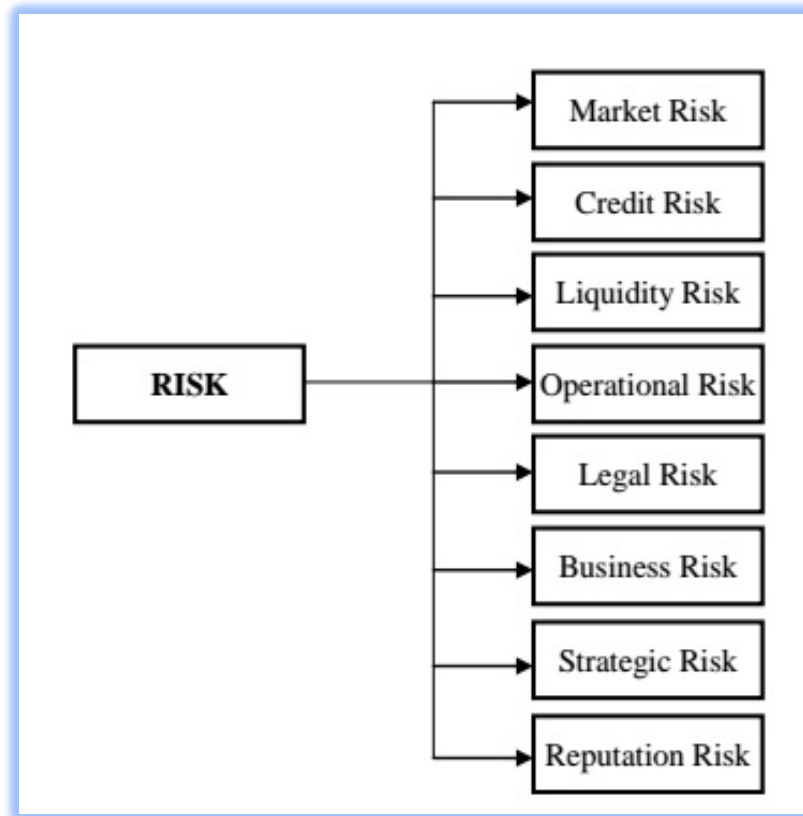
Under the *banking risk* the probability, which are inherent for banking activities, of incurring losses of the credit institution and (or) deterioration of liquidity due to occurrence of adverse events related to internal factors (complexity of the organizational structure, the level of qualification of employees, organizational changes, employee turnover, etc.), and (or) external factors (change in economic conditions of the credit institution, applied technologies, etc.) is understood (ibid.).

Due to the complexity of modern economy there are a large number of risks could be faced by financial institutions such as banks and the question how to classify those risks is a tough one. Different studies understand and classify banking (financial) risks in different way. The four viewpoints on those risks classification are going to be observed next: first the classification introduced by Pole in 1997, second classification by Crouhy, Galai and Mark, then the one mentioned by Greuning and Bratonic in 2009, and finally the typology introduced by Lavrushin and Valentseva.

Pyle (1997) suggests to divide the typically chosen financial thematic risk into four types: *market risk*, *credit risk*, *operational risk* and *performance risk*. Under market risk and credit risk the author considers the changes in net asset value when first happens because of the changes that occurs in underlying economics factors (interest rates, exchange rates, and equity and commodity prices) while second could be faced due to changes the perceived ability of counterparties to meet their contractual obligation. Operational risk results from costs incurred due to mistakes in carrying out transactions (settlement failures, failures to meet regulatory requirements, and untimely collections). The last one, performance risk, is a result from the unsuccessful monitor employees or from usage of inappropriate methods.

(3.)

Crouhy, Galai and Mark (2006, 26) made the risk division a bit more complex and divided risks into eight groups (see Figure 4): *market risk*, *credit risk*, *liquidity risk*, *operational risk*, *legal risk*, *business risk*, *strategic risk*, and *reputation risk*.



**Figure 4. Typology of Risks (Crouhy, Galai & Mark 2006, 26)**

Another classification introduced by Greuning and Bratonic in 2009 is more advanced and comprehensive than the one from Pyle. According to this study financial institution nowadays face the risks that falls into three main categories: *financial risks*, *operational risks*, and *environmental risks* with the list of subcategories which are introduced in the Table 1 (Greuning & Bratanovic 2009, 3-4).

**Table 1. Different Types of Banking Risks (Greuning & Bratanovic 2009, 3-4)**

Financial Risks	Operational Risks	Environmental Risks
Balance sheet structure	Internal fraud	Country and political risks
Earnings and income statement structure	External fraud	Macroeconomic policy
Capital adequacy	Employment practices and workplace safety	Financial infrastructure
Credit	Clients, products, and business services	Legal infrastructure
Liquidity	Damage to physical assets	Banking crisis and contagion
Market	Business disruption and system failures (technology risks)	
Interest rate	Execution, delivery, and process management	
Currency		

Lavrushin and Valentseva (2016, 24) are introducing a classification, which is based on the previously introduced methods of classifying banking risks. The current classification is the most convenient in use in author of the thesis opinion, that is why it will be discussed in more details in the following section.

According to Lavrushin and Valentseva (2016), the first typical banking risk is **Credit risk**. In other words, the risk that the credit institution losses due to non-fulfillment, delayed or incomplete fulfillment of financial obligations by the debtor to the creditor in accordance with the terms of the contract. Those financial obligations include the debtor's obligations to: the received credits, including interbank loans (deposits and loans), other placements,

including the requirements to receive (return) debt securities, shares and promissory notes, provided under the loan agreement; credit institution discounted bills; bank guarantees, which paid credit institution funds are not reimbursed by the principal; transaction financing receivable financing (factoring); acquired by the credit institution in the transaction of rights (claims); acquired by the credit institution in the secondary mortgage market; sale transactions (purchases) of financial assets with deferred payment (delivery of financial assets); letters of credit, paid by credit institution (including unsecured letters of credit); return funds (assets) for the acquisition of financial assets with an obligation to return the alienation; the requirements of the credit institution (lessor) on operations of financial lease (leasing). (24-25.)

The concentration of credit risk is manifested in the provision of large loans to a single borrower or group of related borrowers, as well as when the debtors of the credit institution to individual sectors of the economy, or to the geographical area, or in case of any other obligations, which make them vulnerable to the same economic factors (Lavrushin & Valentseva 2016, 24-25).

Credit risk increases when lending to individuals or entities which have power to influence the decisions made by the crediting organization about the lending process or the crediting conditions, as well as when lending to individuals, whose decisions can be influenced by the credit institution. When lending to related entities, the credit risk may increase as a result of non-compliance or lack of compliance of the established by the credit organization rules, processes and procedures regarding to the loans application processing, the determination of the creditworthiness of borrowers, and the decision-making process about landings. (ibid.)



When lending to foreign counterparts, the credit institution can also meet the *country risk* and the *risk of untranslatable funds*. Under the country risk (including the risk of untranslatable funds) is understood the risk that the credit institution losses in result of foreign counterparties (legal entities and individuals) obligations due to economic, political and social changes, as well as because the monetary obligation currency may not be available to the counterparty because of the peculiarities of national legislation (regardless of the financial situation of the counterparty itself). (ibid.)

The second one is **market risk**. The risk that the credit institution losses due to adverse changes in the market value of financial instruments of the trading portfolio and derivative financial instruments of the credit institution, as well as foreign exchange rates and (or) precious metals. Market risk includes: (1) *equity risk* is the risk of losses due to adverse changes in market prices for securities (securities, including enshrining the right to participate in management) of a trading portfolio and derivative financial instruments under the influence of both factors related to the issuers of securities and derivative financial instruments, as well as to the general fluctuations of market prices of financial instruments; (2) *currency risk* is the risk of losses due to adverse changes in foreign exchange rates and precious metals on the open positions of the credit institution in foreign currencies and (or) precious metals; and (3) *interest rate risk* is the risk of financial losses due to an unfavourable change in interest rates of assets, liabilities, and off-balance sheet instruments of the credit institution. (ibid., 25.)

The *main sources of interest rate risk*: (1) mismatching of maturities of assets, liabilities and off-balance sheet assets and liabilities for instruments with a fixed interest rate; (2) mismatching of maturities of assets, liabilities and off-balance sheet assets and liabilities on the instruments with variable interest rates (*reprising risk*); (3) yield curve configuration changes on the long and

short positions on financial instruments of one issuer, which create the risk of loss as a result of excess potential income over expenditure at the closing of these positions (*yield curve risk*); (4) for financial instruments with a fixed interest rate, in case of their maturity match: mismatch rate of change in interest rates for attracted and placed resources of the credit institution; For financial instruments with variable interest rates in case the same frequency revision floating interest rates: a mismatch rate of change in interest rates (*basis risk*); and (5) extensive use of option transactions with the traditional interest rate instruments sensitive to changes in interest rates (bonds, loans, mortgage loans and securities, etc.) that give rise to the risk of losses due to non-fulfillment of obligations by one of the parties to the transaction (*optional risk*). (ibid., 25-26.)

The third typical risk is **liquidity risk**. The risk of losses due to the credit institution's inability to entirely meet its obligations. Liquidity risk arises from the imbalance of financial assets and financial liabilities of the credit institution (including as a result of untimely execution of financial obligations with one or more counterparties credit institution) and (or) an unforeseen need for immediate and one-off performance of the credit institution of their financial obligations. (ibid., 26.)

The next one is **operational risk**. The risk of losses resulting from non-nature and scope of the activity of the credit organization and the applicable laws of the internal orders and the conducting banking operations and other transactions, their violation by employees of the credit institution and (or) other individuals (due to incompetence, unintentional or intentional actions or inactivity), the disparity (lack of) functionality (features) used by the credit institution informational, technological and other systems and their failures, as well as under some external events. (ibid.)

**Legal risk** is considered to be the risk that the credit institution meets losses due to: (1) failure to comply the requirements of normative legal acts and contracts by the credit institution; (2) carrying out legal law errors in financial activities (incorrect legal advice or the wrong document, including when dealing with controversial issues in the judiciary); (3) the imperfections of the legal system (contradictory legislation, lack of legal regulations on particular issues that arise in the course of the credit institution); (4) violations by contractors of the legal acts regulations, as well as the conditions of the concluded contracts (ibid., 27-28).

Another one is **reputational risk** (risk of loss of business reputation of the credit institution). The risk that the credit institution losses as a result of reducing the number of customers due to the formation of negative societal attitudes about the financial stability of a credit institution, as its services or the nature of the activity as a whole. (ibid., 27.)

The last typical risk according to the authors is **strategic risk**. The risk that the credit institution losses arising from errors (deficiencies), admitted in decisions that determine the business strategy and the development of the credit organization (strategic management), and expressed as the account is taken of or insufficient account of possible hazards that may threaten the credit institution, incorrect or is insufficiently substantiated by the determination of perspective directions of the activity, in which the credit institution can achieve a competitive advantage, the absence or providing incomplete necessary resources (financial, material, technical, human) and organizational measures (administrative decisions), which should ensure the achievement of the strategic objectives the credit institution. (ibid., 27-29.)

The four ways of classifying the risks help one to understand the difference between the risks the financial institution could meet during its activities on the market in order to find the most suitable way to manage those risks and

reduce the potential losses. Considering the broad topic of risk management, the next subchapter will explore the nature of risk management and the main technique that risk management uses in banking sector.

## **2.2 Risk Management**

As stated above, risk is not always a negative thing. Instead, it provides a number of opportunities to gain in some risky event. Moreover, any activity done by businesses always deals with risks. In order to gain, the company has to have a well-managed risk department as only a well-managed risk can gain a lot of assets for the company.

Risk management is the core part of strategic management in any organization. Through risk management techniques a company can achieve the goal of sustained benefits in each activity done by the company as well as in the portfolio of all its activities through the control of the risks in those activities. (A risk management standard 2002, 2.) Risk management tries to reduce the risks of a financial distress and failure that a firm is facing during its activities. As a result, the firm is able to improve its competitive advantage in the market (Frenkel, Hommel, Rudolf & Dufey 2005). "Risk management should be a continuously and developing process which runs through the organization's strategy and the implementation of that strategy" (A risk management standard 2002, 2).

**Risk management in the banking sector** plays a crucial role. Every economic entity wants to be sure that it will keep its position in the market and not lose money. Therefore, various risk management departments were formed in almost each enterprise dealing with big amounts of money (Pyle 1997, 1-2). Financial risk management has become an essential practice by which an organization optimizes the manners in which risks are introduced,

including monitoring risk activities, updating policies and procedures that are relevant in the specific cases, and preparing risk-related reports (Holton 2006). Banks and similar financial institutions are in the first place on this list. Consequently, they pay high attention to risk management departments and the ways to control risky actions (Pyle 1997, 1-2).

Risk management in banks is

*a set of policies to manage and monitor transactions and activities which can adversely impact banking operations, and enact proactive measures to identify, control and minimize these risks* (Ardrey, Perryer, Keane & Stockport 2009).

In practice, models, practices, management tools and techniques, and evaluation criteria are usually established as managerial policies and are reviewed and corrected in a certain period of time defined by the bank (most often annually) (ibid.).

Risk management requires money and time. Therefore, bank managers should usually make wise decisions between the precision of measuring and the timeliness of reporting and the cost of the measurement systems. Risk management department aim to answer two main questions: "Is the risk managing model currently valid?"; and "are trades currently motivated not just to avoid risk but also to manage it?". (Pyle 1997, 1-2.)

There are **two main techniques of managing and forecasting risks in banking enterprises** nowadays: the first method is *scenario analysis*, and the second one is *value-at-risk analysis*, which are aimed at answering those questions above.

The *scenario analysis*, according to Pyle (1997), takes place when "the analyst postulates changes in the underlying determinants of portfolio value [...] and revalues the portfolio given those changes". Some examples of a portfolio value could be interest rates, exchange rates, equity prices, and

commodity prices. A scenario analysis results in the estimation of losses. A typical approach in the scenario analysis is cold “stress testing”, which stands for the analysis of a historically hostile market move. The advantage of this approach is the absence of distributional assumption for the risk calculation requirement. However, according to the author, this approach is very subjective and assumes that future financial upsets will look like the past ones. (7-8.)

*Value-at-risk*, or VAR “can be defined as the worst loss can happen under normal market conditions over a specified horizon at a specified confidence level” (Jorion 1999, 7). In other words, VAR “is the loss in value over X days that will not be exceeded more than Y% of the time” (Pyle 1997, 8). According to Jorion (1999, 7) VAR was developed as a practical criterion of a financial risk with the main goal of showing the risks to the stakeholders. “VAR measures are based on two quantitative parameters: the confidence level and the horizon” (ibid., 7). The choice between the parameters is usually application-related.

As already mentioned, there are multiple risks that may be met by a bank during its operations. In our unstable world that depends on a number of different factors that could not be avoided, which is why it is highly important for the banks in particular to carefully analyze and predict the risks. The revenue that a bank could make is highly dependent on how well the risk managing department is functioning in the bank. The risk management techniques were briefly introduced in the current subchapter in order to provide a basic understanding of those to the reader, and the discussion of those in more detail will be provided in the next subchapter.

## **2.3 Risk Management Techniques Description**

The subchapter is aimed to explain in more detailed manner the two techniques to forecast the risk of financial enterprise on the market. First the scenario analysis, and then value-at-risk, including the techniques description and comparison of the last, as well as the critical analysis of those techniques will be introduced for to reader.

### **2.3.1 Scenario Analysis**

Scenario analysis is an important tool for a financial institution such as banks for preparing the action plan and building the portfolio. The results are gained through anything the possible events that the financial institution could meet in the future, on both micro- and macro-economics level. The statistics (mathematics) play a crucial role in the current approach. Even the method is widely used, however, there is no unanimous way in its implementation. (Laeva 2006.)

According to Laeva (2006), scenario analysis method includes elements of art and science, deduction and induction, structuring, summarizing, rationality (in relation to the actions of one subject) and irrationality, thus, claims the author, scenario analysis can not be assigned to any academic discipline.

Most approaches of scenario analysis implementation begin with the external environment analysis of a financial institution, and then a stage of the development of scenarios takes place. The strategy development for the organization in accordance with the scenarios developed on the previous stage is the last and most complicated stage of the scenario analysis. (ibid.)

Due to no unanimous opinion about scenario analysis approach, different authors suggest different ways to organize the approach implementation.

For instance, according to Mercer (1995, 81-86), the analysis of the external environment as well as the discernment of early signs of future changes are the most crucial elements that have to be carefully studied through the scanning method. Meanwhile, Bourgeois (1998) proposes to start the analysis with the definition of the business interests of the organization and only then proceed to the analysis of external environment parameters.

Schoemaker (1993) Suggests to identify and study the factors that affect or may affect the organization identifying their time horizon, and then analyze past trends in order to understand better the possible level of uncertainty and variability of the environment. Furthermore, Schoemaker suggest to identify key stakeholders of the organization (those who can affect the current and future activities of the organization). Thus, here, the main objective of the first phase of scenario analysis is to identify the most significant external factors (the "key variables") that will be the basis of future scenarios. (193-213.)

The scenario development is the longest and the most creative stage of scenario analysis, including three main stages, that will be briefly discussed further. Those stage includes: (1) selection of changeable variables, (2) designing different scenarios of outcomes, and (3) the combination of key variables into scenarios and describing the scenarios (Aaker 2002, 182-189).

The first stage is **selection of changeable variables**, where it is recommended to study the results of the analysis of the environment in order to identify the most significant factors that will be the basis of scenarios. It is highly important to avoid bias in reasoning and be sure to take into account the time period under consideration (Mercer 1995, 81-86). There is a dissent between authors about the most effective way to identify the most important variables: Mercer (ibid.) suggest to use the brainstorming method, when Schoemaker (1993, 193-213) prefer Fishbone



Diagrams. As the result a small number of the most significant and independent of each other variables should be selected (Aaker 2002, 182-189).

The second stage is **designing different scenarios outcomes**. The stage is based on a detailed analysis of the selected variables and making a few (at least two or three) possible outcomes. The outcome from a variable is some possible alternatives of the change of the variable in the future. The most crucial during the process of development of possible outcomes from the variables is to take into account the events that may occur, but the effect of which is currently not obvious. It is not correct to illuminate some trivial assumptions about the possible outcome for a variable. Assumptions can be both clear and obvious (for instance, that the main competitor will not leave the market), as well as implicit such as those associated with the technological development. (ibid.)

The third and the last stage is **the combination of key variables into scenarios and describing the scenarios**. The purpose of this phase is to establish the relationship between scenario outcomes of all the variables under consideration, as well as writing the description of those scenario. (ibid.)

According to Bourgeois (1998), this stage is key in intellectually, because it requires the ability to carry out a systematic or comprehensive analysis, a clear and comprehensive vision and the ability to logically group outcome from the variables, thus creating several scenario directions. It does not make sense to include in the scenario the various outcomes of variables of opposite directions, and, thus, mutually contradictory to each other. The result is the formation of seven-nine logically grouped outcomes of different variables. (Laeva 2006.)

The next step is to combine the received mini-scenarios (as a result, from two to three scenarios should be obtained). There is no theoretical rationale for conducting this stage, however, its implementation involves the practical application of the method. The most effective policy at this stage is to develop the most and the least favorable scenarios: an optimistic scenario and a pessimistic scenario. (Aaker 2002, 182-189.)

Schoemaker (1993) offers to simultaneously develop two basic scenarios, including all the successful outcomes of the key variables in one scenario (optimistic scenario), and all negative outcomes in the other scenario (pessimistic scenario). Then, he recommends to evaluate the order and the credibility of the scenarios and, if necessary, eliminate the combination of outcomes that are incredible or impossible, as well as to evaluate the received scenario from the perspective of key stakeholders of the organization. (193-213.)

The final step is the results description. As a rule, scenarios are made in written form (as a number of alternative descriptions of the future), and may include quantitative specifications and diagrams. (Laeva 2006.)

The **main impact of scenario analysis in the further development of the strategy** is that the scenario method allows one to develop a reasonable set of strategies, conducive the financial organization to achieving the best results. In particular, scenario planning enables the organization to build a defense against major threats of the external environment. The stage includes the development of behavioral strategies for the organization, the implementation of which leads to the satisfaction of the specific business interests of the financial organization or to the problem solving. The optimal solution is considered to be the choice of such strategy for future actions, the impact of which would be favorable for any considered scenario. (Bourgeois 1998.)

The current stage of scenario analysis is considered to be the most complicated one. Bourgeois, Mercer, and Schoemaker describes in detail the very scenario development process, however, none of them offers the way to embed the obtained scenarios in the strategy development of an organization. The research on harmonization of the scenarios with the strategy and the choice of the strategy of the organization's behavior was carried out by Porter. (Laeva 2006.)

Porter (1985,15) notes that the coordination of scenarios with a strategy can be accomplished in several different ways, however, he warns that developing a strategy based only on one scenario could be a risky thing. The author does not sure if it is possible to find the strategy that provides all possible future development scenarios.

According to Porter (1985), there are five main approaches for strategic choice: (1) *to stay along with the most probable scenario*, (2) *to stay along with the best scenario*, (3) *to compromise*, (4) *to remain flexible*, and (5) *to affect the scenario's outcome*. The choice of the approach is personal. Moreover, it is possible to apply several approaches at the same time (15-17.)

### **2.3.2 Value-at-Risk**

Value-at-risk, also known as VAR, is a measure of financial risk which is widely used today by financial institutions. It provides a way of quantifying and managing portfolio risks. The value-at-risk concept was appreciated in 1993 as a response to financial disadvantages as a key concept to manage the market risks, however, its development dates back to 1988 when the central bank decided to set minimum capital requirements for the banks in order to protect them from trading risks. The management are able to see the probable risks that are taken by their financial institution with the help of the

VAR use. Moreover, through the application of the concept the company can get an illustration of reduction in possible financial exposure (in case of hedging), and it can provide one number, for example EU, as a sum of all market risks that are met by the total portfolio. (Bohdalová 2007.)

According to Hull (2009), Value-at-risk, also well known as VAR, is one of the most used measure of risk among both regulators and risk managers, as it is easy to understand. It tries to answer the question "How bad can things get?". (444-445.) As it was stated before, VAR was developed as a practical criterion of a financial risk with the main aim to show the risks to stakeholders (Jorion 1999, 7). It is deceptive to consider that value-at-risk can be an alternative to risk adjusted value and probabilistic approach, in fact, it borrows from both (Jorion 2001, 10).

This concept is mostly used by commercial and investment banks, even though it can be applied by any entity to measure risk exposure. It provides them an opportunity to predict potential value loss of their traded portfolios from middling market movements and compare these possible losses with their capital and cash reserves to ensure that the first can be covered without and risk for the firms. (ibid.)

For investors risk is about losing money, thus VAR is based on three main components: a time period, level of confidence and an estimate of investment loss. For easier understanding this concept could be expressed as the question the analysts could answer: "what is the maximum percentage - with 98% (for instance) confidence - the enterprise can expect to lose over the next month (for instance)?" (Cortez 2011, 98-120.)

There are a number of techniques and theories studied and developed in the context of VAR. The author of this thesis decided to focus on three of those theories and critically discuss them later in this section. These

approaches are known as *variance-covariance* approach, *historical simulation* approach and *Monte Carlo simulation* approach.

**Variance-covariance approach** is based on the analytical assumption about return distributions for market risks and on the variance in and covariance across those market risks. The variance-covariance approach has its benefits of simplicity as to measure the market risk of portfolio in case it will drop below some specified value in a particular period of time (the basic principle of value-at-risk method), the probability distribution of potential values can be simply derived. However, it has some limits in the difficulty in the deriving probability distribution. (Damodaran n.d.b.)

According to Frederic (1997) the variance-covariance approach can be calculated in different ways and each bank could have its own version of this approach application. However, the author suggests the common steps for measuring risks through the current approach:

1. *Unbundle different types of risk from each asset or position based on market factors. For example, a foreign bond would be separated into two cash-flow components – principal and interest payment; and each of these two components will be further unbundled by different market factors such as interest rate and exchange rate factors. Therefore, each "cell" would have a cash flow exposed to only one type of market factor.*
2. *Group the cells with the same (or similar) characteristics together.*
3. *Calculate the value at risk for each cell group. Some make an assumption that the distribution is normal.*
4. *Calculate the portfolio value-at-risk using the variance-covariance matrix. (69-70.)*

The next method for calculating value-at-risk is **historical simulation approach**. It is calculations based on the assumption that the history will repeat itself.

One of the advantage of the historical simulation is that there is no need to care about correlation since they already included in the existing data, which is used for calculation. On the other hand, in order to obtain the meaningful results, it is required to use from three to five years of data of the market risk capital change, which makes the capacity system to be an issue. (Frederic 1997, 71-72.)

The next approach discussed is **Monte Carlo simulation approach** (statistic modeling), which is based on modeling of random processes with predetermined characteristics. Before going deeper into discussion of the Monte Carlo simulation approach, it is important to underline the difference between the two approaches in forecasting future events: *deterministic* and *stochastic* approaches.

The deterministic approach includes all models that assume a fixed relationship between the inputs and consider that the inputs lead to an unambiguous result. The second approach is introduced by models assumes random or uncertain inputs which provide the possible results distribution. (Frederic 1997, 72.) Kritzman (1993, 17) explain the difference between deterministic and stochastic processes on the following example:

*a model that predicts an eclipse, for example, is deterministic, because it relies on known fixed laws governing the motions of the earth, the moon and the sun. You are unlikely to hear an astronomer say that there is a 30 % chance of an eclipse next Wednesday. A model that predicts tomorrow's weather, however, is stochastic, because many uncertain elements influence the weather.*

In other words, it is not the blame of the observatory if it assumes that there is only a single chance of the rain during the day, but the rain starts straight after lunch; the reason of such event is that there are some uncertainty elements dominate in the current situation which the observatory cannot forecast (Frederic 1997, 72).

The Monte Carlo simulation method contained in modeling of possible changes in the price of portfolio in a few bids. Become apparent some market factor, which are impacting on the price of portfolio. Then, builds collaborative apportioning of these factors by different methods, for example, using of the historical data based on the development of economy. Afterwards, a number of sceneries are modeling, and each result been counter for each result of modeling. Next builds histogram of received data and VaR value is getting determined. (Kritzman 1993, 17-20.)

The theoretical basis of the current stochastic method is described by Kritzman (1993, 18) as:

*We sum or average a group of independent random variables, which themselves are not normally distributed, the sum or average will be normally distributed if the group is sufficiently large.*

In simple worlds, in order to obtain the valuable results, the researcher has to simulate many times this random process (the current market price), which does go through many random paths independently from each other under certain precise mathematical processes, and after all the researcher obtains a distribution of values. A number of times the researcher has to go through this process of Monte Carlo simulation is depends on how accurate outcomes he wants to obtain. However, usually a number of paths in the simulation process more than one thousand. (Frederic 1997, 72-73.)

Since the series of values from changes in market factors are added to the value of the current market, the Monte Carlo simulation is close the the historical simulation method. However, there is a difference between two methods in obtaining these series of market factor changes. The historical simulation method mainly relays on the movements in past price in order to forecast future prices. The Monte Carlo simulation express its forecast in terms of distribution probability, the says that the future prices are

unaffected by any prices in the past. Nevertheless, some parameters of the simulation are based on the past experience, for instance, volatility and correlations between factors in the market. (ibid.)

### **2.3.3 Comparison of Value-at-Risk Models**

As discussed above, different VAR models are best used for different situations and different purposes. For instance, if portfolio is used without options for a short period of time the most reasonable choice is to use variance-covariance approach; if portfolio consists of a stable historical data, the historical simulation does the good job in calculation the VAR; Monte Carlo simulation provides relevant results for the nonlinear portfolio over long periods of time with volatile the historical data (Čorkalo 2011). The methods of VAR calculation are different in their ability to estimate risks, they are easy in their implementation, it is not difficult to explain those methods to senior management, the results of VAR are reliable, and they are flexible in analyzing the results of changes in the assumptions (Linsmeier & Pearson 1996).

For more visual demonstration of the differences and similarities of the three main VAR models, the following Table 2, designed by Linsmeier and Pearson, is provided for the reader.



**Table 2. Comparison of Value-at-Risk Techniques (Linsmeier & Pearson 1996)**

	Historical Simulation	Variance/Covariance	Monte Carlo Simulation
Able to capture the risks of portfolios which include options?	Yes, regardless of the options content of the portfolio	No, except when computed using a short holding period for portfolios with limited or moderate options content	Yes, regardless of the options content of the portfolio
Easy to implement?	Yes, for portfolios for which data on the past values of the market factors are available.	Yes, for portfolios restricted to instruments and currencies covered by available "off-the-shelf" software. Otherwise reasonably easy to moderately difficult to implement, depending upon the complexity of the instruments and availability of data.	Yes, for portfolios restricted to instruments and currencies covered by available "off-the-shelf" software. Otherwise moderately to extremely difficult to implement.
Computations performed quickly?	Yes.	Yes.	No, except for relatively small portfolios.
Easy to explain to senior management?	Yes.	No.	No.
Produces misleading value at risk estimates when recent past is atypical?	Yes.	Yes, except that alternative correlations/standard deviations may be used.	Yes, except that alternative estimates of parameters may be used.
Easy to perform "what-if" analyses to examine effect of alternative assumptions?	No.	Easily able to examine alternative assumptions about correlations/standard deviations. Unable to examine alternative assumptions about the distribution of the market factors, i.e. distributions other than the Normal.	Yes.

### 2.3.4 Advantages and Limitations of Value-at-Risk

The method of VAR has gained its popularity in recent years and now it is widely used as the measure of risk for international banks and financial organizations. There are a number of reasons why it spread so rapidly around the world with highly successful results in managing risks. However,

there are also some limitations existing. The current concept is critically analyzed, and the advantages and limitations of the technique are underlined.

Alexander (2008) identifies the **main advantages** that one could gain through applying value-at-risk techniques for managing risks of a financial institution (80):

- *The VAR concept is easy to understand.* The existing risk in the portfolio is expressed as a single number which makes it easy to interpret and to use in the future analyses. Moreover, VAR is measured as a price unit (euros, for example) or as a percentage of portfolio value.
- *The VARs of different assets and portfolios can be compared.* Another reason why financial institutions and especially banks like the VAR measurement is that value-at-risk is applicable to different types of assets (stocks, bonds, currencies, derivatives, and many others) and various portfolios, which enable the comparison of the profitability and risk of various units and allocate risk based (risk budgeting approach) on value-at-risk.
- *The VAR is a common part of various types of financial software.* It is another big advantage of VAR as most of the financial software solutions (for instance Bloomberg) are able to quickly calculate it from the historical data of the portfolio after entering the data and setting several parameters.
- *the VAR is frequently used by most financial institutions.* Value-at-risk is considered the gold standard nowadays, and it is part of risk management one hundred one in financial entities. Because of its popularity, it became reasonable to use VAR as it is used by most of the competitors and clients of financial banks.

Value-at-risk is not an acceptable measure of risk if it is applied to most return distributions, claims Szegö (2002) in his article "Measures of risk". He compares measuring the risk with VAR with measuring the distance between two points using a rubber band instead of a ruler. According to Szegö (2002), it can be used only in the case when a computationally simpler variance can be used at the same time. VAR is an inadequate measure of risk and it is not suitable to measure a real life portfolio. For instance, some conflicting results may occur at different confidence levels. Due to non-convexity, it becomes impossible to use VAR in optimization problems. The VAR ranking may be unstable because of its local extremes. (1253-1272.)

Furthermore, Wong (2013) and Alexander (2008, 58) discussed the list of **limitations for value-at-risk concept**, such as:

- *VAR gives the false sense of security as does not measure the worst case loss.* It is probable the most important limitation of value-at-risk approach and at the same time the most frequently ignored one. VAR does not give 100% of guarantee, and even it is calculated with 99% confidence it is still far from 100%. There is 1% of cases, which mean 2-3 days per year (if measured as a daily VAR), when VaR does not say anything about how the losses are expected to be. In that 1% losses can be only several percent higher than VAR states, however, they can rise significantly to unlimited number that can actually ruin the business.
- *VAR more suitable for similar portfolios.* It gets difficult to calculate the value-at-risk for the large portfolio, as when the calculations are done not only return and volatility of individual assets are estimated but also the

correlation between those. Thus with the growing portfolio it becoming more complicated and more expensive to calculate the risks.

- *VAR is not additive.* Due to the fact that correlations between individual factors of risk enter the value-at-risk calculation, when VAR containing assets X and Y and the sum of VAR of asset X and VAR of asset Y are not equal.
- *VAR results are limited with the inputs and assumptions.* The result can be only as good as the input made, thus it is mistaken to assume that with not normal skewness or excess kurtosis, distribution of asset and portfolio returns can be normal.
- *VAR can be different through the use of different methods.* There are three main methods of calculation value-at-risk (variance-covariance parametric, Monte Carlo approach, and Historical simulation) which could give completely different VAR results for the same portfolio, which can rise the question of representativeness of the concept.

## **2.4 Basel Committee on Banking Supervision**

The Basel Committee on Banking Supervision (BCBS), which is responsible for banking services global supervision, objects to enhance the understanding of key supervisory problems, to improve the supervision quality in the worldwide banking, as well as the Committee offers an advanced forum for problem-solving of the matters with supervision, due to strengthen financial regulations and increase financial stability of banking sector (Bank for International Settlements 2013, 1). The supervisory standards the BCBS are introduced as guidelines and recommendations for banks international operations, although the BCBS has no legal power and the BCBS functions mainly as a monitoring institution for the implementation of those standards, and introduces the guidelines and

recommendations for banks international operations, the Committee has gradually become a standard-setting body concerning all banking Supervision (Bank for International Settlements 2009, 1).

Up until now, there are three regulatory frameworks published by the BCBS: The Basel Capital Accord (also known as Basel I), Basel II and Basel III. The main aspects of these frameworks are introduced shortly in the following sections.

### **2.4.1 Basel I and II**

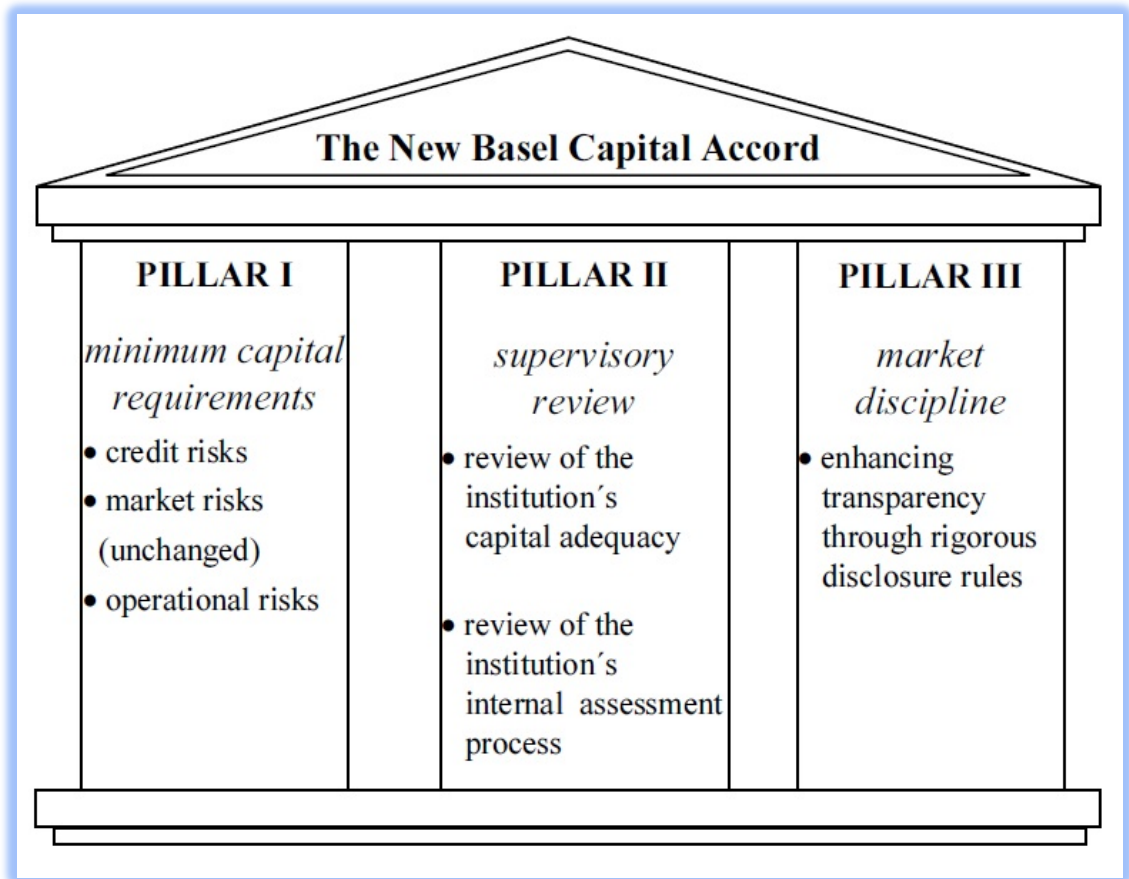
To understand better the most recent Basel Accord (Basel III), a short background of previous (Basel I and Basel II) is given in the current section.

Jackson and Furfine (1999) states that Basel I was introduced in 1988 and had with two objectives: (1) to help the international banking system to strengthen its soundness and stability through motivating those banks to boost their capital positions; and (2) to reduce competitive inequalities, through settling the standards applying for banks with international activities.

The framework introduced in Basel I leads bank institutions to be more sensitive in their capital regulations to the various risk profiles during international activities, to reduce the risks in having liquid assets, and to expose the off-balance-sheet during the assessing capital adequacy (Jackson & Furfine 1999, 1). As the framework assesses capital through the view of credit risk ration (the risk of counterparty failure), due to access the overall capital adequacy other risks, such as interest rate risk and the investment risk on securities, have to be taken into account when calculation is made (Bank for International Settlements 1988, 2).

In June 2006 the BCBS released revised version of the the “International Convergence of Capital Measurement and Capital Standards”, with the purpose to strengthen and add new regulations to the already existing framework of Basel I (Bank for International Settlements 2006, 1). The following framework, known as Basel II, “was initiated by the Committee for Banking Supervision of the Bank of International Settlement in Basel (BIS)” (Frenkel, Rudolf, & Hommel 2005, 7). It replaced the previous Basel accord from 1988 and became one of the most extensively debated topics in financial risk management that time (ibid.).

Basel II is structured into three main areas, also known as “*pillars*” (see Figure 5), enhancing the financial position of banks in a stress scenario. Pillar 1 includes the minimum criteria requirements of bank’s capital that is required for the credit risk. Those criteria of capital requirements are influenced by the amount of credit risk items in the bank’s balance-sheet, the overall risk level, and the decision on the techniques used in order to reduce those risks, for instance, with guarantees, securities and credit derivate. Pillar 2 carry on the own capital reserves of the enterprise that are considered to measure their adequacy. The pillar 3 contains the requirements for the financially relevant information publication. (Vauhkonen 2010, 22.)



**Figure 5. Overview on the New Basel Capital Accord (Frenkel, Rudolf, & Hommel 2005, 4)**

*Pillar 1* (minimum capital requirements) introduces “the rules by which a bank calculates its capital ratio and its supervisor assesses whether it is in compliance with the minimum capital threshold” (Federal Reserve Bulletin 2003, 398). It differs between the trading book and the banking book, and includes three different types of risk, such as the market risk, the credit risk, and the operational risk. (Frenkel, Rudolf, & Hommel 2005, 80.)

*Pillar 2* (supervisory oversight) “endows bank supervisors with extensive information rights and manifold possibilities for intervention” (Frenkel, Rudolf, & Hommel 2005, 80). In other words, it encourages banks “to go

beyond simple compliance with minimum capital requirements and perform for themselves a comprehensive assessment of whether they have sufficient capital to support their own individual risk profile". Moreover, it facilitates supervisors to provide constructive feedback, based on their knowledge of industry practices range of institutions, to the bank management. (Federal Reserve Bulletin 2003, 398.)

*Pillar 3* (market discipline) deals with enhanced disclosure (Frenkel, Rudolf, & Hommel 2005, 80). It is more practical and made to complete the previous activities with market disciplines "by requiring banks to publicly disclose key information that enables market participants to assess an individual bank's risk profile and level of capitalization" (Federal Reserve Bulletin 2003, 398).

### **2.4.2 Basel III**

Basel III is the third and the latest regulatory framework introduced by the BCBS. It was developed from the Basel I and Basel II framework, in order to improve the ability of the banking sector to absorb negative impact from the financial and economic stress, through the developing of the risk management and governance, and by strengthening the transparency and disclosures of a bank through its international activities. (Bank for International Settlements 2011a, 1.)

The framework of the Basel III is based on the same three pillars as the Basel II (see Figure 3) with some improvements and a few additional requirements. The Basel III regulation aims to strengthen the banking sector through the use of the new requirements, thus, the incensement of the quality as well as the quantity of the regulatory capital base is applied, and some additional adequate capital buffers are raised as well (Bank for International Settlements 2011a, 2-3).



More detailed functions of Basel accord and its implementation will be introduced in the 2.6.2 subsection in the viewpoint of Russia, as the case country of the current thesis. However, before going deeper into the banking sector in Russia, the reader will be introduced with the banking systems of different countries in order to form the complete picture and be prepared for in-depth study of the Russian banking sector.

## **2.5 Banking Systems of Different Countries**

In order to provide the complete picture for the reader, before going deeper in the specifics of the Russian banking sector it is crucial to understand the nature of the banking system and learn about those in regard to other countries.

According to Business Dictionary (WebFinance n.d.), banking system is

the structural network of institutions that offer financial services within a country. The members of the banking system and the functions they typically perform include: (1) commercial banks that take deposits and make loans, (2) investment banks which specialize in capital market issues and trading, and (3) national central banks that issue currency and set monetary policy.

In world practice, the following banking systems exist:

- *two-level system*, where Level 1 is the Central Bank, and Level 2 is commercial banks,
- *decentralized banking system of the USA*: The Federal Reserve USA system, and
- *centralized state banking system of command economies* (the Soviet Union and other previously socialist countries) (Kazimagomedov 2010, 58-130).

In addition, there are also *Islamic banks operating on the basis of Sharia*. These banks give interest-free loans, and they are functioning in the non-market mechanisms (ibid.).

Nowadays, almost all countries in the world do have Central Banks, however, there are significant differences between them due to the peculiarities of the political, and financial-economic development of their home country (Balabanov 2016, 401-543).

There are several forms of the Central Bank organization. From the standpoint of *the capital ownership* Central Banks divided into:

- *The State Central Bank*, whose capital is owned by the state (for example, the central banks in the UK, Germany, France, Canada, Russia),
- *Joint stock bank* (for example, the US), and
- *Mixed*, which are joint stock companies, when the part of their capital is owned by the State (Japan, Belgium). (Kazimagomedov 2010, 58-130.)

Some Central Banks were initially formed as a state banks (for instance, in Germany, and Russia); meanwhile, others were created as joint-stock banks and later were nationalized (for instance, in the UK, and France). But regardless of whether the capital of the central bank's owned by the State or not. Historically, there have been developed close ties between the Central Bank and the Government, which are especially strong at the present stage. (ibid.)

Those loose ties with the State does not mean that the State can infinitely influence the Central Bank policy. Regardless of the capital supplies, the central bank is legally independent. Most of all, it is accountable to a legislature or a special banking commission formed by the Parliament. (Zhukov 2014, 21-94.) The governor of the Bank, which may be selected by the Parliament, the President, the government, or the monarch, is not part of the government. A significant degree of the central bank independence is a prerequisite for the effectiveness of its activities, which are often at odds with short-term objectives of the government, concerned, for example, by the approach of the next elections. This is especially important in limiting the government's ability to use the resources of the central bank to cover the budget deficit. (Kazimagomedov 2010, 58-130.)

In the USA, since 1913 the functions of the Central Bank of the country carries out **the Federal Reserve System (FRS)** (Luzanov 2015, 24).

Nowadays, the FRS includes the following main departments: the Board of Governors, consisting of seven people appointed by the US President and approved by Congress for a period of 14 years; the Federal Open Market Committee, the Federal Advisory Council, the twelve federal reserve banks, which are the regional representatives of the FRS; and the other credit organizations, which are participants of the system (ibid. 30).

The feature of FRS (unlike traditional the Central Banks in other countries, such as the Bank of England and the Central Bank of the Russian Federation) is that it is based not on the state but on the private capital. Any credit institution corresponding to the requirements of the Federal Reserve System is able to acquire its shares. That allows to receive a fixed dividend income, as well as gives the right to vote in the election of six out of nine managers of regional offices (ibid. 27-29).

The control of FRS activities is carried out by the US House of Representatives, to which it has to report annually, and the Banking Committee of the Congress, to which it has to report twice a year. The FRS is audited annually. In addition, in terms of the law, the US president can dismiss any of the FRS representatives, however, this rule has never been applied. (ibid.)

According to Luzanov (2015), the main tools of monetary regulation of the FRS as well as the Bank of Russia are identical: (1) changes in interest rates; (2) changes in reserve requirements; (3) open market operations. The main instrument of monetary policy in USA is open market operations. All of those tools are used to influence the money supply in circulation, as well as it is a mean of influence on the commercial banks. (40-48.)

Even all banking systems are design for mainly common purpose, based on the information above one could see that there are some differences and similarities among banking systems' structure in different countries. The specific of the Russian Banking system will be explained in more detailed manner in the following subchapter.

## **2.6 Banking System in Russia**

The current subchapter will provide a deep look in the Russian banking system, explaining in more detail the structure and functions of the banking system and Federal Laws and Regulations, under which the system operates. Moreover, the functions and application of the Tired Basel Accord concerning the Russian Federation, as well as its calculations, will be introduced. Finally, the liquidity criteria and their calculations concerning the Russian banking sector will be discussed in order to provide an overall picture of the functioning of the Russian banking sector and its regulations for the reader.

### 2.6.1 Banking System in the Russian Federation

*The banking system in the Russian Federation* is a set of interrelated elements, which includes the Central Bank, credit institutions consisting of commercial banks and other credit and settlement institutions, sometimes united under the holding companies, as well as the banking infrastructure and banking legislation (Balabanov 2016, 401-543). Federal Law On Banks and Banking Activities (Ministry of Justice of the Russian Federation, 1990, N 395-1) defines the concept of banking system as follows: "the Russian banking system includes the Bank of Russia, credit institutions, as well as branches and representative offices of foreign banks".

The Russian banking system has a two-level structure, with the Central Bank of Russia on the first level, endowed with emission, supervisory, and legislative functions, and on the second level the commercial banks, credit organizations and representative offices of foreign banks are carrying out their operations (Zhukov 2014, 21-94).

There are two basic laws regulating the banking activities in the Russian Federation, which are: (1) Federal Law from 02.12.1990 N 395-1 (rev. Of 29.12.2015) "On Banks and Banking Activity" (rev. and ext., In force from 09.02.2016), and (2) Federal Law from 10.07.2002 N 86-FZ (ed. Of 12.30.2015) "On the Central Bank of the Russian Federation (Bank of Russia)" (rev. and ext. In force from 02.09.2016) (Balabanov 2016, 401-543).

Federal Law On the Central Bank of the Russian Federation (Bank of Russia) (Ministry of Justice of the Russian Federation 2002, N 86-FZ) classifies the **functions of the Central Bank of Russia** into five main categories: (1) Conducting monetary policy, (2) Monopoly of issuing money and organizing their treatment, (3) The functions of "bank of banks", (4) The functions of the

Government of the Russian Federation Bank, and (5) External function. Those categories are discussed below.

*Conducting the monetary policy*, which is being developed and implemented in collaboration with the Government of the Russian Federation (ibid.).

*Monopoly of issuing money and the organization of their treatment.*

Banknotes and coins of the Bank of Russia are the only legitimate means of cash payment. The Board of Directors of Bank of Russia makes the decision to issue banknotes and coins of a new sample. The Bank of Russia is engaged in forecasting and organizing the production of banknotes and coins, the establishment of reserve funds, determining the order of cash transactions. A characteristic feature of the monetary sphere of Russia in comparison with other economically developed countries is the large proportion of cash in circulation. (ibid.)

*The functions of "bank of banks".* By performing this function, the Bank of Russia carries out: (1) the observance of the banking supervision law, (2) takes in possession the commercial banks reserves, (3) lends to commercial banks to regulate bank liquidity, (4) establishes mandatory standards for credit institutions of their activities, the rules of banking, bookkeeping, preparation and presentation of accounting and statistical reporting, (5) sets the qualification requirements for the candidates for executive positions in commercial banks, (6) has the right to request any information from commercial banks and credit organizations, (7) conducts inspections of credit institutions, has the right to demand the elimination of violations, (8) adjust the size and the accounting of open positions on the currency, interest rate and other financial risks, (9) it specifies the size of the order and the creation of reserves to cover possible losses on loans, foreign exchange, interest rate and other financial risks, and (10) ensures the efficient and

smooth functioning of the payment system of the country. The aim of the payment system in Russia, which consists of the payment system of the Bank of Russia and private payment systems, to ensure the country's economy in the transfer of funds. Thus, its current goal is to move towards the further development of electronic technologies in the non-cash payments. (ibid.)

*The functions of the Government of the Russian Federation Bank.* The Central Bank is a financial consultant and agent of the Russian Government. The federal budgets, the budgets of the federal subjects of Russia, the local budgets, and the state extra-budgetary funds are on its accounts. The Bank provides loans to the Government of the Russian Federation in order to finance a budget deficit. It buys the government securities at their initial offering. (ibid.)

*External function.* It represents the Russian interests in relations with the Central Banks of foreign countries in the international monetary and the financial institutions. It gives a permission to create credit organizations with the foreign investments and the branches of foreign banks in Russia. The Bank establishes and publishes the official exchange rates of foreign currencies against the ruble. It is the body of currency regulation and currency control. (ibid.)

The **Commercial banks** attract savings of the population, free funds of legal entities, and provide them for temporary use for other economic entities. The main purpose of the bank is the *mediation in moving funds from lenders to borrowers*. (Balabanov 2016, 401-543.)

The activity of universal commercial banks is determined under the Federal Law On Banks and Banking Activity (Ministry of Justice of the Russian Federation 1990, N 395-1) by three main features:

- *The function of accumulation and mobilization of temporarily free funds.* The banks form an incentive to the accumulation of funds on the basis of a flexible depository policy, and guarantee the safety of deposits and the stable interest income on it.
- *The granting of the credit function.* The redistribution of resources is carried out by banks in the maturity terms of repayment, serviceability.
- *The carrying out of calculations and payments.* Commercial banks provide the functioning of the payment system and maintain accounts of their customers, carry out the transfer of funds.

Furthermore, as additional functions of commercial banks can be noted the following (Ministry of Justice of the Russian Federation 1990, N 395-1):

- *The function of the creation of means of payment.* Payment means are formed in the form of bank deposits, which are used with the help of plastic cards, bills, and wire transfers.
- *The function of the organization and of issuing securities.* Banks issue equity and non-equity securities. The issue of securities lending is a development function of the loans and a mean to raise funds.
- *The function of consulting services.* Banks carry out consulting on improving the creditworthiness of its customers to optimize their payments, tax planning, and reporting method.



The Commercial Bank is based on the following principles: (1) profitability, (2) speculative principle, (3) working within existing resources, (4) economic independence, (5) effective risk management, and (6) the mutual interest in working with partners (ibid.).

The most commonly used form of ownership in the modern banking is joint stocks. The Bank's shareholders can be made up of a variety of legal entities and individuals. (Balabanov 2016, 21-94.)

### **2.6.2 Basel III in Russia.**

In the conditions of the financial market instability, from 1 January 2015 the Russian banking system gradually implements the provisions of Basel III and from 1 January 2015 the Basel III is expecting to come into the full force (Sakovich 2012, 187-191).

The basic requirements of Basel III are reflected in the Bank of Russia Regulation from 3 March 2012 (ed. 30.11.2015) "On Banks' Required Ratios N 139-I", registered in the Ministry of Justice of the Russian Federation on 13.12.2012 under the number N 26104. The instruction sets numerical values and the method of calculating for the following mandatory banks' standards: capital adequacy; liquidity; maximum exposure to a single borrower or group of related borrowers; the maximum size of large credit risks; the maximum amount of loans, bank guarantees and sureties granted by the bank to its participants (shareholders); the aggregate value of the bank's insider risk; use of own funds (capital) of banks for the acquisition of shares (stakes) in other legal entities. (ibid.)

Regulatory capital adequacy is calculated as the ratio of the basic bank's capital (**H1.1**), the value of the main bank's capital (**H1.2**), and the value of bank's own funds (capital) (**H1.0**) determined by the method laid down by the Bank of Russia Regulation on 28 December 2012 "On the method of

determining the value of the own funds (capital) of credit institutions ("Basel III") N 395-R", to the amount of credit risk on assets recorded on the balance sheet accounts (assets minus provisions for losses and provisions for losses on loans and equivalent debt weighted by risk level), credit risk of credit related commitments, credit risk on derivative financial instruments, the value of the risk of changes in value of the credit requirements as a result of deteriorating credit quality of the counterparty, the operational risk, and the market risk. (ibid.)

The minimum acceptable standard of **H1.1** in numeric value is set at 4.5 per cent by the Notes of the Bank of Russia from 30.11.2015 under number N 3855-U (Ministry of Justice of the Russian Federation 2012a, N 395-R).

The minimum acceptable standard of **H1.2** in numeric value was set at 5.5 per cent by the Notes of the Bank of Russia from 25.11.2014 under number N 3452-U, however, as mentioned by the Notes of the Bank of Russia from 18.12.2014 under number N 3497-U, it was raised up to 6.0 per cent on 1 January 2015 (ibid.).

The minimum acceptable standard **H1.0** numeric value is set at 8.0 percent by the Notes of the Bank of Russia from 30.11.2015 under number N 3855-U. (ibid.).

Basel III is mainly focusing on the function of capital instruments to absorb losses due to the events of the last financial crisis. **Tier I capital** is defined as capital that can absorb losses during the termination of the *going concern*, and the **Tier II capital** is defined as the capital with the ability to cover losses in the termination of the *gone concern*. There are the **Common Equity Tier 1 Capital** (the most reliable part of the capital) and **Additional Tier 1 Capital** are included in the Tier I capital. (Bank for International Settlements 2011a, 12-17)

**Tier I capital** includes: (1) the ordinary shares (or equivalent for non-joint stock companies); and (2) the retained earnings and share premium on ordinary shares. At the same time, the Basel Committee has put forward a number of quality requirements for the structure of Tier I capital. The tools of additional Tier I capital may include non-cumulative perpetual preferred shares, and innovative hybrid instruments (e.g. subordinated loans with additional conditions) are gradually excluding from the capital base of banks. (Bank for International Settlements 2011b.)

**Tier II capital** includes: (1) capital reserves (the current year profit, not confirmed by the auditor's report); (2) reserves revaluation of certain assets: revaluation of fixed assets, as well as "latent" revaluation of securities is reflected in the balance sheet at purchase price, held for a long time (not available in the Russian practice); (3) the general provision for doubtful debts (general provisions for loan losses); (4) Hybrid capital instruments (including both properties of capital and borrowing at the same time), in the Russian practice are introduced by preferred shares; (5) subordinated loans. (Bank for International Settlements 2006, 14-16.)

**Tier III capital** (according to Basel II is introduced as short-term subordinated loans) is illuminated (Bank for International Settlements 2006, 16).

If in Basel I and Basel II deductions are made both from equity Tier 1 and Tier 2 capitals, according with the new requirements of Basel III for the main load falls on the Tier I capital. Consultation Paper (Basel III) does not establish a "direct" relationship between Tier I capital and Tier II capital, however, it proposes to establish this relationship through the minimum requirements for capital adequacy level for risks coverage. (Bank for International Settlements 2011a, 19-21.)

$$\frac{\text{Common equity tier 1 capital}}{RWA} \geq 4,5\%$$

$$\frac{\text{Tier 1 capital}}{RWA} \geq 6\%$$
, and

$$\frac{\text{Total regulatory capital}}{RWA} \geq 8\%$$

where:

$RWA$  is Risk-weighted asset.

The last economic crisis has shown that the methods of credit risk estimations on the basis of internal rating models, taking into account the recommendations of Basel II (Internal Risk-Based Approach), are the subject of pro-cyclicality, in other words, are significantly depended on the phase of the economic cycle. During the economic expansion periods, the credit risk of bank counterparties will be low, as well as capital requirements. This means that the bank will be able to increase landings, which will stay as a source for a new pro-cyclical momentum. On the other hand, during the periods of economic downturn, the processes take the reverse side. (Bank for International Settlements, 2010.)

The new standards consider to create the two capital buffers: *conservation buffer*, and *countercyclical buffer range*. The main purpose of the countercyclical buffer range formation, which is a "simple" premium to the minimum requirements, is to maintain a capital adequacy ratio at a certain

level in order to cover the bank's losses during the economic downturn of the system. In order to maintain the conservation buffer, banks are restricted in the distribution of its profits in order to lead it to the capital. In Russia this index is gradually increasing starting from 2016 to 0.625% per year until it reaches the value of 2.5% in January 1, 2019. (Sakovich 2012, 187-191).

It should be noted that Basel III does not imply a significant complication of its models, and the abandonment of the sensitivity to risk in the approach laid down in Basel II. The new reform considers the tightening of requirements and definitions, and it suggests a direct transition from the recommendations to the norms. Thus, in case if the bank will not meet the new standards of capital adequacy, the bank will be imposed by the direct restrictions by means of the "conservation" on a certain level of income (from 40% up to 100%) in the following year and by reducing the share of dividend payments to shareholders. (Bank for International Settlements 2011a, 27.)

In order to improve the quality of capital and to reduce the borrowings in the banking sector, the Basel Committee has developed a new regulatory index called «**leverage ratio**» (the ratio of bank's capital to its assets and off-balance sheet total volume requirements are not risk-weighted [ $A_{total}$ ]). The value of the minimum leverage ratio is proposed to be set at 2.5% for the common equity tier 1 capital [**L1**], and at 3% for the Tier 1 capital [**L2**]. (Bank for International Settlements 2011a, 61-63.)

$$L_1 = \frac{\text{Common equity tier 1 capital}}{A_{total}} \geq 2,5\%$$

$$L_2 = \frac{\textit{Tier 1 capital}}{A_{total}} \geq 3,0\%$$

However, the ratio will come into force from January 2018, and the bank's capital structure will consist of the of of common shares and retained earnings (Sakovich 2012, 187-191).

The purpose of the application of the Basel III approach in Russia is to bring the Russian banking regulation and the supervision in accordance with the international standards in this area. In addition to the increasing stability of the banks in stressful situations, it will allow the Russian banks to increase their crediting ability and become the full participants in the international financial relations. (Sakovich 2012, 187-191.) The development of the Russian banking sector is the key to the success in the international trade and investments.

### **2.6.3 Russian Bank's Liquidity Criteria**

The current section will detail discuss the liquidity criteria concerning the Russian banking sector, in order to create a better understanding of functioning of Banking system in the Russian Federation. The information provided further is retrieved and adapted from the Federal Law of the Russian Federation and Bank of Russia Regulations, published by the Ministry of Justice of the Russian Federation. The author decided to take the exact formulas introduced in those Regulations in order to provide the clear picture of how the banking sector is managed in Russia. Due to that fact in the formulas for calculating the liquidity ratio provided later in this section, some Russian variables are used, nevertheless, for better understanding of non-Russian speaker, the explanation of each variable are provided after every formula.

In order to monitor the condition of the bank's liquidity, in other words, its ability to ensure the timely and entirely implementation of its obligations established by norms of instant, current, and long-term liquidity, which regulate (limit) the risk of losing the liquidity of the Bank and which are *defined as the ratio between assets and liabilities*, taking in to account timing, amounts and types of assets and liabilities, and other factors (Ministry of Justice of the Russian Federation 2012b, N 139-I).

The *quick liquidity ratio (H2)* regulates the risk of the loss of the liquidity of the bank *within one business day* and determines the minimum ratio of the bank's highly liquid assets to liabilities (liabilities) of the bank on demand accounts, adjusted by the amount of the minimum aggregate balance of funds on the accounts of individuals and legal entities poste restante. The Quick liquidity ratio (**H2**) is calculated by the following formula (ibid.):

$$H2 = \frac{\Pi_{\text{am}}}{O_{\text{BM}} - O_{\text{BM}}^*} \times 100\% \geq 15\%$$

, where:

$\Pi_{\text{am}}$  is highly liquid assets, which must be received within the next calendar day.

$O_{\text{BM}}$  is liabilities on demand accounts, for which the investor and (or) the creditor may be claimed to provide the immediate repayment.

$O_{\text{BM}}^*$  is the value of minimum aggregate balance of funds on the demand accounts of individuals and legal entities.

The minimum acceptable numeric value of **H2** is set at 15 percent (ibid.).

The *current liquidity ratio* of the bank (**H3**) regulates the risk of the loss of the liquidity of the bank within the next 30 *calendar days*. The ratio of the current liquidity (**H3**) is calculated by the following formula (ibid.):

$$H3 = \frac{\text{ЛaT}}{\text{OBT} - \text{OBT}^*} \times 100\% \geq 50\%$$

, where:

$\text{ЛaT}$  is liquid (financial) assets, which must be received by the bank, and (or) can be claimed within the next 30 calendar days;

$\text{OBT}$  is liabilities on demand accounts, for which the depositor or creditor may be claimed the immediate redemption, and the bank's liabilities to creditors (depositors) of fulfilment of its obligations within the next 30 calendar days;

$\text{OBT}^*$  is the minimum value of the total balance on the demand accounts of individuals and legal entities for a period of performance of obligations within the next 30 calendar days.

The minimum numeric value of the standard **H3** is set at 50 percent (ibid.).

*Long-term liquidity ratio* of the bank (**H4**) regulates the risk of loss of liquidity of the bank as a result of placing funds in long-term assets and determines the maximum ratio of the bank's credit requirements with a remaining term to its maturity in excess of 365 or 366 *days*, to the bank's own funds (capital) and liabilities with a remaining term to maturity date of more than 365 or 366 calendar days, adjusted by the amount of the minimum aggregate balance of accounts for a period of performance of obligations up to 365 calendar days, and demand accounts of individuals



and entities. The long-term liquidity ratio (**H4**) is calculated by following formula (ibid.):

$$H4 = \frac{K_{pd}}{K_0 + OD + O^*} \times 100\% \leq 120\%$$

, where:

$K_{pd}$  is credit claims with a remaining term to maturity in excess of 365 or 366 days, after deduction of a formed reserve for possible losses on these credit requirements;

$K_0$  is own funds (capital of the bank);

$OD$  is liabilities of the bank on loans and deposits received by the bank, except for the amount received subordinated loans to banks (loan, deposit) in the part of the residual value included in the calculation of own funds (capital) of the bank, as well as a marketable bank's debts with a remaining maturity of more than 365 or 366 calendar days;

$O^*$  is the value of minimum aggregate balance of accounts for a period of performance of the obligations up to 365 calendar days and demand accounts of individuals and entities not included in the calculation of  $OD$  index.

Maximum numeric value for standard **H4** is set at 120 percent (ibid.).

The *maximum exposure for one borrower or a group of the related borrower's ratio* (**H6**) is regulated under the bank's credit risk in relation to one borrower or group of related borrowers, and it determines the

maximum ratio of the total amount of obligations of the borrower (borrowers belonging to a group of related borrowers) to the bank for its own funds (capital) of the bank. The ratio of maximum risk per borrower or group of related borrowers (**H6**) is calculated as following (ibid.):

$$H6 = \frac{Kp3}{K_0} \times 100\% \leq 25\%$$

, where:

$Kp3$  is the aggregate amount of credit requirements of the bank to the borrower or the group of related borrowers, except the formed reserve for possible losses;

$K_0$  is own funds (capital of the bank).

The *maximum size of the large credit risks ratio* (**H7**) adjusts the aggregate amount of the bank's large credit risk and determines the maximum ratio of the total amount of major credit risks and the size of own funds (capital). The maximum amount of the large credit risks ratio (**H7**) is calculated by the following formula (ibid.):

$$H7 = \frac{\sum K_{ckp_i}}{K_0} \times 100\% \leq 800\%$$

, where:

$K_{ckp_i}$  - the i-th largest credit risk, after deduction of provision for possible losses;

$K_0$  - own funds (capital) of the bank.

In accordance with Article 65 of the Federal Law On the Central Bank of the Russian Federation (Bank of Russia) (Ministry of Justice of the Russian Federation 2002, N 86- FZ), the large credit risk is the amount of loans, guarantees and sureties in favor of one client, which exceeds five percent of bank's capital.

Maximum numeric value of the standard **H7** is set at 800 percent (Ministry of Justice of the Russian Federation 2012b, N 139-I).

The *maximum size of loans, bank guarantees, and guarantees provided by the bank to its members (shareholders) (H9.1)*, determines the maximum ratio of the size of credit claims, bank guarantees and sureties granted by the bank to its participants (shareholders) to equity (capital) of the bank (ibid.). Maximum amount of loans, bank guarantees and sureties granted by the bank to its participants (shareholders) (**H9.1**), calculated as follows (ibid.):

$$H9.1 = \frac{\sum Kpa_i}{K_0} \times 100\% \leq 50\%$$

, where:

$Kpa_i$  - the value of the i-th bank's loan requirements, which has the right to dispose of more than 5 per cent of shares (voting shares), after deduction of provision for possible losses;

$K_0$  - own funds (capital) of the bank.

The maximum allowable numeric value of the standard **H9.1** is set at 50 percent (ibid.).

*The aggregate amount of risk for bank insiders (H10.1)* regulates (restricts) the aggregate credit risk of the bank in respect of all individuals, who are able to influence the decision-making process about grant a loan by the bank (ibid.). Standard **H10.1** specifies the maximum ratio of the total amount of credit requirements for insiders to own funds (capital) of the bank. The ratio of aggregate insider risk Bank (**H10.1**) is calculated as follows (ibid.):

$$H10.1 = \frac{\sum K_{pсн_i}}{K_0} \times 100\% \leq 3\%$$

, where:

$K_{pсн_i}$  - the value of the i-th credit requirements for insider bank's after deduction provision for possible losses.

$K_0$  - own funds (capital) of the bank.

Maximum numeric value of **H10.1** standard is set at 3 per cent (ibid.).

*Standard use of own funds (capital) of the bank for the acquisition of shares in other legal entities (H12)* regulates the overall risk of the bank's investments in shares of other legal entities and determines the maximum ratio of the amounts invested by the bank for the purchase of shares of other entities to own funds (capital) of the bank (ibid.). Standard use of own funds (capital) of the bank for the acquisition of shares in other legal entities (**H12**) is calculated as follows (ibid.):

$$H12 = \frac{\sum K_{ин_i}}{K_0} \times 100\% \leq 25\%$$

, where:

$K_{ин_i}$  - the value of the i-th bank's investments in stocks of other legal entities, after deduction of provision for possible losses on these investments;

$K_0$  - own funds (capital) of the bank.

Maximum numeric value of **H12** standard is set at 25 percent (ibid.).

The **valuation of assets**, used to calculate the ratio, is completed in accordance with Regulations on the procedure of the credit organizations of the reserves for possible loan losses on loans and similar debts" (Ministry of Justice of the Russian Federation 2004, N 254-P) and Regulations on the procedure of the credit organizations of the reserves for possible losses (Ministry of Justice of the Russian Federation 2006, N 283-P). According to Regulation 283-P (Ministry of Justice of the Russian Federation 2006, N 283-P), the reserves for balance assets, for which there is a risk of loss, except for loans and similar debts and off-balance sheet credit assets.

Evaluation of the credit risk on loans and portfolios of homogeneous loans is carried out on an ongoing basis. On the basis of this regulation, the internal rules of the loan classification by quality categories or by order of the reserves for possible loan losses creation for commercial banks are introduced (see Table 3). Credit risk evaluation is carried out taking into account the borrower's financial position and the quality of debt service (timely repayment of interest and principal). The evaluation and the

categories are described in the table below (Table 3). (Ministry of Justice of the Russian Federation 2006, N 254-P.)

**Table 3. Determination of the Quality of Loan Debt (Ministry of Justice of the Russian Federation 2006, N 254-P)**

<b>Debt Service/ Financial Position</b>	Good	Medium	Unsatisfactory
Good	<b>Standard</b> (I quality category)	<b>Custom</b> (II quality category)	<b>Doubtful</b> (III quality category)
Medium	<b>Custom</b> (II quality category)	<b>Doubtful</b> (III quality category)	<b>Problematic</b> (IV quality category)
Bad	<b>Doubtful</b> (III quality category)	<b>Problematic</b> (IV quality category)	<b>Hopeless</b> (V quality category)

According with the classification of loans or portfolio of homogeneous loans the value of the estimated reserves is determined according to the criteria described in the Table 4.

**Table 4. Size of the Estimated Possible Losses on Loans, Depending on the Quality Category (Ministry of Justice of the Russian Federation 2006, N 254-P)**

Quality Category	Name	The Estimated Reserve's Size as a percentage of the principal debt amount
I quality category (Highest)	Standard	0%
II quality category	Custom	from 1% up to 20%
III quality category	Doubtful	from 21% up to 50%
IV quality category	Problematic	from 51% up to 100%
V quality category (Lowest)	Hopeless	100%

### 3 METHODOLOGY

The current chapter will review the methods of data collection and data analysis, which were applied for the current research. The reader will be introduced to the process that was completed in order to collect suitable data for the research paper, and to the process of analyzing and describing the results obtained to be discussed in details in the following chapters.

#### 3.1 Research Design, Strategy and Purpose

By the **research design** Creswell (1998, 2-3) understands the entire process of conducting and writing the report paper, including all the stages from

outlining and clarifying the research. In order to develop the research design, the **research strategies** are aimed to create a through research approach, which is supported by the **purpose of the research** in its turn (ibid., 13). According to Saunders, Lewis, and Thornhill (2009, 139), the research purpose can be divided into three categories: exploratory, explanatory, and descriptive. Each category of the purpose of the research can provide unique information and should be selected according to the goal of the researcher. When an exploratory study is goaled "to find out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light" (Robson 2002, 59), an explanatory study is applied when there is a need to establish and describe relationships between some variables (Saunders, Lewis, & Thornhill 2009, 139-141). Finally, a descriptive study approach tries "to portray an accurate profile of persons, events of situations", stats Robson (2002, 59).

The current research is aimed to study and critically discuss the financial risks in the banking sector based on the reality of the Russian Banking sector in order to indicate the elements of the bank portfolio that influence the level of liquidity and credit risks, and capital adequacy. The next step, the calculations, analyzes and describes the key indicator' level in the case of PJSC "Sberbank of Russia", and the main activities that affects this level, based on the theoretical knowledge, personal observations and statistical (horizontal as well as vertical) analysis of the data, in order to help the case company as well as further researchers to predict the danger of facing serious risks and to develop the actions to avoid the threat those risks at an early stage. Therefore, an *explanatory study approach* with elements of the *descriptive approach* is the most suitable for the current research.

A *case study approach*, which was selected for the current research with the case company PJSC "Sberbank of Russia", assumes a detailed and deep



collection of the data, which requires the involvement of multiple information sources and different data collection methods (Creswell 1998, 32). As a result, the case study approach helps the researcher to “gain rich understanding of the context of the research and the processes being enacted” (Morris, & Wood 1991 cited in Saunders et al 2009, 146). The researcher selected the PJSC “Sberbank of Russia” as the case company as it is one of the largest banks in Russia, holding the major assets in the Russian banking sector. Through some private discussions with bank representatives the researcher was able to get the in-depth description of financial statements of the Bank (see Appendix 1, 2, and 3). Furthermore, some confidential information that was not published and discussed in the current work due to privacy statements provides a better understanding of the overall picture for the researcher and helped in formulating suitable recommendations for the Bank.

### 3.2 Methods of the Data Collection

**Methods of the data collection** are associated with qualitative, quantitative as well as mixed-methods approach. The *qualitative approach* is concerned with non-numerical data and works well for exploratory purpose, when *quantitative approach* deals with numbers and numerical analysis, thus, it is often used for testing hypotheses (Saunders, Lewis, & Thornhill 2009). The appearance of both qualitative and quantitative methods in one research give the *mixed research method*. Johnson, Onwuegbuzie, and Turner (2007, 123) defined the term “mixed-methods” as following:

*Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g. use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration.*

Creswell (2003), divided mixed-methods approach into three categories: sequential, concurrent and transformative. According to the author, under the first category (sequential) a detailed exploration of findings by elaboration or expansions of those by implementation of collections of data consecutively implemented. The concurrent approach is mainly integrating the information through simultaneously collecting of both methods of data collection. Finally, the transformative approach develops the framework of the study by using overarching perspective perspective. (16.)

For this research the quantitative approach method was applied, as the data utilized for the analysis was numerical, which supported more in-depth exploration of research problem.

**Research data** collected for the research falls into two categories: primary and secondary data. Both types of data were collected and utilized for the current research. Secondary data is a very important step that prepare the researcher for collecting primary data that is usually collected on the specific purpose of the research (Saunders, Lewis, & Thornhill 2009, 256). Secondary data is data that was collected not by the researcher himself, but by someone other (Ghauri & Gronhaug 2010, 90). Secondary data takes a crucial role for the current research project, and includes the literature review of books, journals, and online articles. Furthermore, some data for quantitative analysis was retrieved from the external sources, such as official websites of the case company and the government publications about the regulations and requirements for banking sector in Russia. Primary data includes facts and figures that were collected by the researcher himself (Ghauri & Gronhaug 2010, 90). In order to collect all information needed for the success of the current research, for instance, not published financial statements and more detailed information about case bank's activities on

the financial market were provided by the representatives of Sberbank to the researcher.

## **4 RESEARCH RESULTS**

The analyzing process includes the preparing stage of the data for analysis, exploring that data, then followed by the actual data analysis, and then representing and interpreting of the data obtained, and finally the validating the data (Creswell, & Plano Clark 2011, 204).

The research is focused on the analysis of the three years of the financial activities of the case company during the accounting period from the beginning of 2012 and to the end of 2013.

The chapter begins with the overview of the case company (PJSC "Sberbank of Russia"), and then followed by the results obtained through the research process and the description and explanation of the last.

### **4.1 Overview of PJSC "Sberbank of Russia"**

PJSC "Sberbank of Russia" (later Sberbank or Bank) is the largest banks of the Russian Federation, as well as one of the major backbone companies of the country (PJSC "Sberbank of Russia" n.d.b.).

The bank was first introduced under the names of "Savings Bank of the RSFSR", "Sberbank of the RSFSR," in accordance with the decision of the General Meeting of Shareholders on March 22, 1991. Later, in accordance with the decision of 4 June 2010 the Bank was renamed Open Joint-Stock Company "Sberbank of Russia", OJSC "Sberbank of Russia". Furthermore, in accordance with the decision of the General Meeting of Shareholders dated 05.29.2015, the Bank's name was changed to Public Joint-Stock Company "Sberbank of Russia", the PJSC Sberbank. (PJSC "Sberbank of Russia" n.d.a.)

The Bank operates under a general license for banking operations N° 1481 issued by the Bank of Russia 11 August 2015. In addition, the Savings Bank has a license to conduct banking operations to attract deposits and placement of precious metals and other precious metals operations, the license of a professional securities market participant for conducting broker, dealer and depositary activities, as well as the activities of securities management. (PJSC "Sberbank of Russia" n.d.c.)

On April 1 2015 the Bank's branch network included 16 regional banks and 17493 units throughout Russia. Subsidiary Banks of Sberbank are working in Kazakhstan, Ukraine, Belarus, and Germany. Moreover, in June 2010, the Sberbank received the permission of the Chinese Banking Regulatory Commission to open a representative office in Beijing, and in September 2010, the Bank of Russia registered the branch of OJSC "Sberbank of Russia" in India. The Bank has a subsidiary investment company LLC "Sberbank Capital", which is dedicated to sanitation and management of assets laid down in the bank (PJSC "Sberbank of Russia" n.d.b.).

According to market positions, in terms of assets and capital, financial results of operation and scale infrastructure, the Bank is several times larger than the nearest competitors. It is a unique position in the domestic market, which gives a distinct competitive advantage for Sberbank. (ibid.)

PJSC "Sberbank of Russia" carries out the following banking operations (UnionBanks n.d.a.):

- raising funds from individuals and legal entities to deposits (demand and time deposits),
- placing the above raised funds on its own behalf and for its own account,

- opening and maintaining bank accounts of individuals and legal entities,
- transfers of funds on behalf of individuals and legal entities, including correspondent banks, on their bank accounts,
- collection of cash, bills, payment and settlement documents and cash services to natural and legal persons,
- purchase and sale of foreign currency in cash and cashless forms,
- attract deposits and placement of precious metals,
- issuance of bank guarantees, and
- money transfers without opening bank accounts, including electronic cash (except for mail orders).

The Bank has the right to carry out maintenance of export-import operations of clients with various financial instruments, which are accepted in international banking practice. The Bank carries out transactions with payment cards in accordance with the current legislation of the Russian Federation and in the manner prescribed by the Bank of Russia. Money transfers without opening bank accounts, with the exception of electronic money transfers are carried out on behalf of individuals. (ibid.)

PJSC "Sberbank of Russia" in addition to the banking operations carries out the following transactions (UnionBanks n.d.b.):

- issuance of guarantees for third parties, providing execution of obligations in monetary form,

- the acquisition of the right to claim from a third party performance of obligations in monetary form,
- trust management of monetary funds and other property under contract with individuals and legal entities,
- transactions with precious metals and precious stones in accordance with the legislation of the Russian Federation,
- leasing of natural and legal persons of special facilities or are they safe for storing documents and valuables,
- leasing operations, and
- the provision of consulting and information services.

PJSC "Sberbank of Russia" has the right to carry out other transactions in accordance with the Russian legislation (ibid.).

The priority directions of the Bank are (ibid.):

- *operations with corporate clients*: a servicing settlement and the current accounts, opening of deposits, financing, issuance of guarantees, service of export-import operations, collection, conversion services, money transfers in favor of legal persons, etc .;
- *transactions with retail customers*: acceptance of deposits and funds in the Bank's securities, loans, bank cards, transactions with precious metals, purchase and sale of foreign currency, payments, money transfers, storage of valuables, etc .; and

- *operation on financial markets*: securities, derivative financial instruments, foreign currency; accommodation and attraction of funds in the interbank market and the capital markets, and others.

All banking operations and transactions are made in rubles and foreign currency in accordance with federal laws. The Bank carries out currency control over the operations of clients both individuals and legal entities. (ibid.)

PJSC "Sberbank of Russia" has the right to issue, purchase, sale, registration, storage and other securities transactions, payment documents, securities confirming attraction of funds on deposit and bank accounts with other securities. Furthermore, Bank has the right to carry out professional activities in the securities market in accordance with federal laws, including the broker, dealer, depositary. The Bank has a separate property and is responsible with it for its obligations, Bank has the civil rights and bear civil responsibilities necessary to carry out any activities not prohibited by law. (PJSC "Sberbank of Russia" n.d.b.)

In an effort to make the service more convenient, modern and technologically advanced, the Bank is gradually improving the capabilities of remote account management clients through years. Sberbank is the largest issuer of debit and credit cards. (ibid.)

The bank has established a system of remote service channels, which includes (ibid.):

- online banking: "Sberbank Online" (more than 24 million active users),

- mobile apps: "Sberbank Online" for smart phones (more than 1 million active users),
- text messages service: "Mobile Banking" (more than 24 million active users),
- one of the world's largest network of ATMs and self-service terminals (more than 90 thousand units).

In addition, Sberbank in cooperation with BNP Paribas has created the joint bank under the brand "Cetelem", which is engaged in POS-lending processes, through using the concept of "responsible lending" (ibid.).

The founder and main shareholder of the Bank is the Central Bank of the Russian Federation (Bank of Russia). On 16 December 2014 it owned 60.3% of the voting shares and 57.6% of the share capital of the Bank. Other shareholders include more than 263 thousand individuals and legal entities. (ibid.)

The high proportion of foreign investors in the capital structure of the Sberbank of Russia (over 32%) is an evidence of its attractiveness and success on the financial market (Studsell.com n.d.).

The main competitors of Sberbank (ibid.):

- Gazprombank (also known as GPB),
- Raiffeisen,
- VTB24, Citibank,
- Alfa Bank,



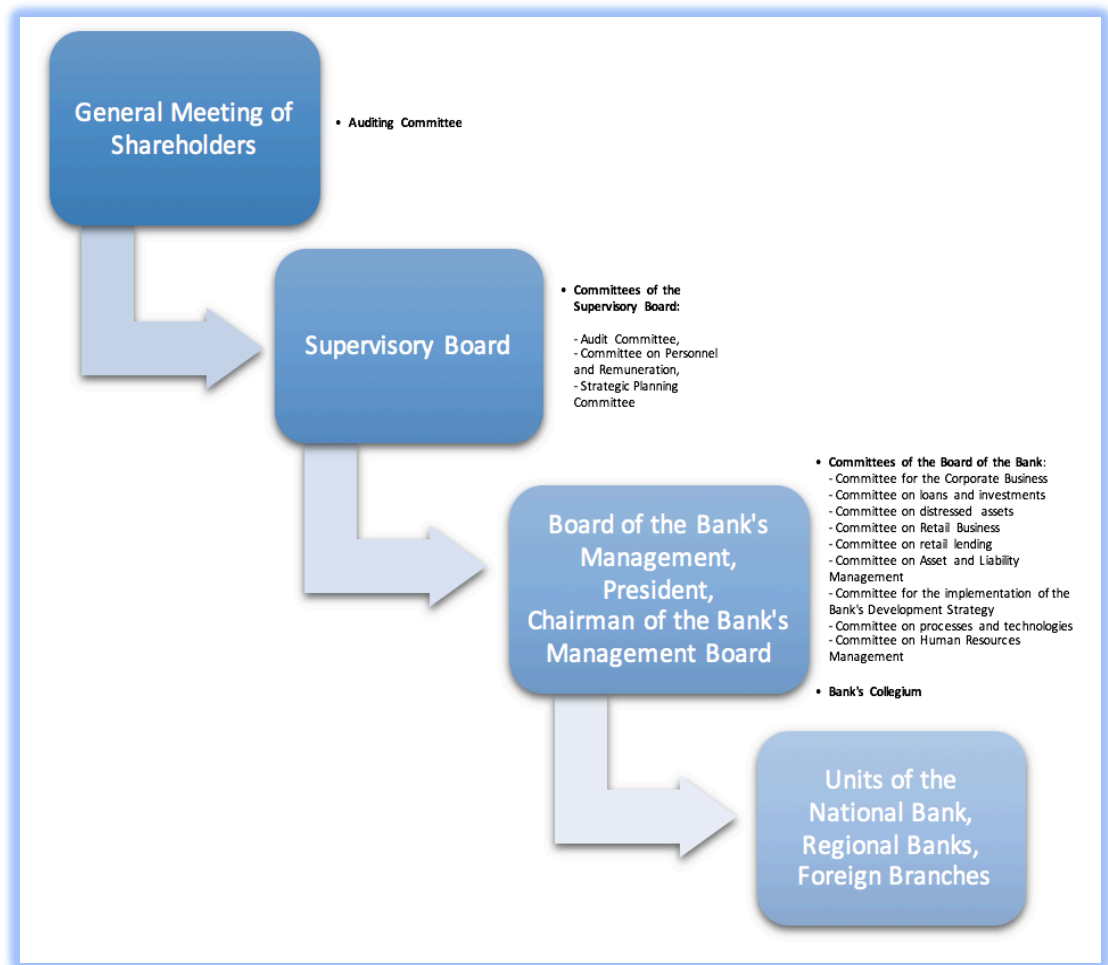
- Uralsib Bank, and
- Rosbank.

The total number of employees of Sberbank's Group in 2014 amounted to about 369.4 thousand people, 319.4 thousand of whom are working in the state. At the same time 86% of all employees (275.7 thousand) are related to PJSC "Sberbank of Russia". Most employees working on a permanent contract (97% of the total) and full-time (85%). (PJSC "Sberbank of Russia" n.d.b.)

The management body of Sberbank of Russia includes (PJSC "Sberbank of Russia" n.d.d.):

- general meeting of shareholders,
- supervisory board,
- collegial executive body: the board of the bank's management, and
- The sole executive body: the president, chairman of the bank's management board.

Figure 6 illustrates the organizational structure of Bank's management system.



**Figure 6. The Management Structure of PJSC "Sberbank of Russia"**  
 (adapted from PJSC "Sberbank of Russia" n.d.b)

The General Meeting of Shareholders is the supreme governing body of the Bank, followed by the Supervisory Board, which is responsible for general management of the Bank, excluding the issues referred to the competence of the General Meeting of Shareholders. The Bank's current activities carried out by the President, the Chairman of the Management Board and the Management Board. The President, Chairman of the Board and the Management Board are accountable to the Supervisory Board of the Bank and the General Meeting of Shareholders. (ibid.)

PJSC "Sberbank of Russia" maintains its accounting records and provides the accounting (financial) reports and other documents in accordance with the procedure established by federal laws and other normative legal acts, including regulations of the Bank of Russia (PJSC "Sberbank of Russia" n.d.b).

The bank's assets amount to more than one-fourth of the country's banking system (27%) and the share stands at 28.7% in the banking capital (information on 1 January 2015). The Bank holds most major market share in deposits and a key creditor of the national economy. As of November 1, 2014, the share of Sberbank on retail deposits was 49%, and its loan portfolio contained a nearly one-third of all loans issued in Russia (30% of corporate loans and 33% of retail). In 2014, Sberbank took 18th place in the ranking of "Top 1000 world banks in terms of capital", published in the journal "The Banker". (ibid.)

## **4.2 Analysis of the Composition and Structure of Assets and Liabilities of PJSC "Sberbank of Russia"**

The results of the analysis made by the researcher are introduced below and the figures and tables formed by the author are presented for a better understanding of the results for the reader.

For the analysis completed for the research, the annual accounting (financial) statements of PJSC "Sberbank of Russia" (OJSC "Sberbank of Russia" at that time) for the period through 2012 - 2014 years are used. In the Appendix 1, 2, and 3 the scanned copies of detailed annual accounting (financial) statements of OJSC "Sberbank of Russia" for 2012, 2013, and 2014 years can be found. The documents were provided by the Bank to the researcher for further analysis and were allowed to be published in the current paper. Thus, the annual financial statements, introduced in the

Appendixes, are provided in the original language of the Bank, which is Russian.

#### 4.2.1 Analysis of Major Indicators of Bank's Financial Activities

Firstly, the dynamics of key variables of the balance sheet of Sberbank for accounting period 2012 - 2014 was analyzed and combined in the Table 5.

**Table 5. Analysis of the Dynamics of Assets and Liabilities of Sberbank 2012 - 2014, MLN RUB**

	Year			Absolute Deviation, (+, -)		Rate of Increase, %	
	2012	2013	2014	in 2013 from 2012	in 2014 from 2013	in 2013 from 2012	in 2014 from 2013
Sources of Own Funds	1651496	1935201	1982338	283705	47137	17.18	2.44
Capital	1773095	1972892	2311530	199797	338638	11.27	17.16
Assets	13581754	16275097	21746760	2693343	5471663	19.83	33.62
Obligations	11930258	14339896	19764422	2409638	5424526	20.20	37.83
Liabilities	13581754	16275097	21746760	2693343	5471663	19.83	33.62

Based on the data gained through this analysis the the following conclusions can be done. The total assets for the period of 2012 - 2013 increased by 2,693,343 million rubles (+ 19.83%), when for the period of 2013 - 2014 increased by 5,471,663 MLN RUB (+ 33.62%), which indicates an increase in the volume of the Bank's operations.

Sources of the bank's own funds increased between 2012 and 2013 on 283705 million rubles (+ 17.18%), and between 2013 and 2014 on 47137 million rubles (+ 2.44%). The decrease in the rate of increase in sources of

own funds was the result of increasing of the spending on the opening of reserves for loan and therefore reduce profits was appeared.

The bank's liabilities increased in the 2012 - 2013 on 2409638 MLN RUB (+ 20.2%), and in 2013 - 2014 on 5424526 MLN RUB (+ 37.83%).

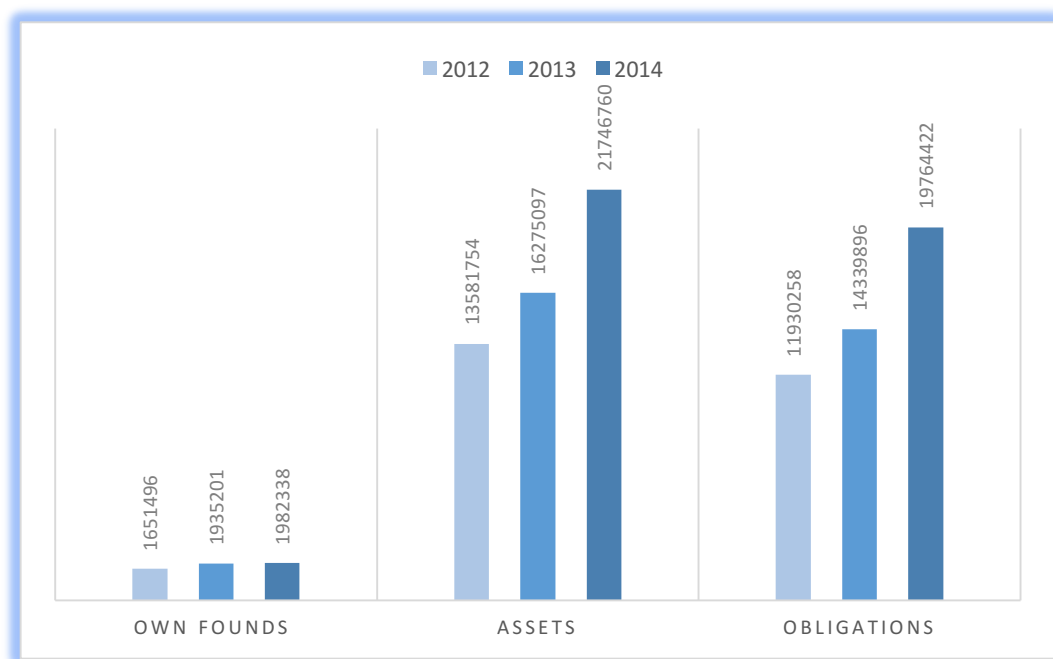
The capital, which is calculated in accordance with the Bank of Russia Regulation N°395-P, increased in 2012 - 2013 on 199797 MLN RUB (+ 11.27%), and in 2013 - 2014 on 338638 MLN RUB (+ 17.16%).

The main factors that make the increase the capital were: a positive financial result of the bank's activities, placement of subordinated bonds in the amount of US \$ 1 billion, and the reduction in investment in the ordinary shares of deductions companies transition requirements of Basel III.

The main factors that reduce the capital were the dividend payment for 2013 in the amount of 72.3 billion rubles and the deduction of subordinated loans granted to subsidiary banks.

In the dynamics of the capital is also explained by the gradual application of Basel for the Bank's management, which was carried out within 5 years according to some calculation positions.

Figure 7 illustrated the change in the mail items in the balance sheet of PJSC "Sberbank of Russia" during period of 2012 - 2014.



**Figure 7. The Dynamics of the Balance Sheet of Sberbank 2012 - 2014, MLN RUB**

The main factors of the growth in the Bank's asset in 2014 were loans to the legal entities and individuals, and the asset growth achieved net loan debt.

The growth of balance sheet items is significantly influenced by positive revaluation of their currency component due to the weakening of the ruble against major foreign currencies: US dollar exchange rate increased in 2014 by 71.9% up to 56.3 rubles / US dollar, euro exchange rate increased by 52.0% up to 68.3 rubles / euro.

Analysis of the structure of the main items of the balance of Sberbank for 2012-2014 years is presented in Table 6.

**Table 6. Analysis of Major Balance Sheet Items of Sberbank 2012-2014**

	2012 year		2013 year		2014 year		Change in Structure, %	
	mln. Rub.	Proportion of the balance sheet items, %	mln. Rub.	Proportion of the balance sheet items, %	mln. Rub.	Proportion of the balance sheet items, %	in 2013 from 2012	in 2014 from 2013
Monetary funds	725052	5.34	717320	4.41	1240712	5.71	-0.93	1.30
Funds of credit institutions with the Central Bank of Russian Federation	381208	2.81	408803	2.51	369676	1.70	-0.29	-0.81
Funds in credit institutions	81464	0.60	94302	0.58	356487	1.64	-0.02	1.06
Financial assets measured at fair value through profit or loss	101884	0.75	144663	0.89	825688	3.80	0.14	2.91
Net loan indebtedness	9772750	71.95	11978007	73.60	15889379	73.07	1.64	-0.53
Net investments into securities, offered for sale	1541631	11.35	1744228	10.72	1745490	8.03	-0.63	-2.69
Net investments into securities, offered for sale	361862	2.66	403988	2.48	366474	1.69	-0.18	-0.80
Fixed assets, intangible, and tangible assets	438028	3.23	468070	2.88	478612	2.20	-0.35	-0.68
Other Assets	177875	1.31	315718	1.94	474242	2.18	0.63	0.24
Total Assets	13581754	100.00	16275097	100.00	21746760	100.00	0.00	0.00
Liabilities	11930258	87.84	14339896	88.11	19764422	90.88	0.27	2.78
Sources of own funds	1651496	12.16	1935201	11.89	1982338	9.12	-0.27	-2.78
Total Liabilities	13581754	100.00	16275097	100.00	21746760	100.00	0.00	0.00

The data analysis results, introduced in Table 6, show that the greatest proportion of the balance sheet items of Sberbank takes net loan indebtedness, which took 73.07% in 2014, 73.60% in 2013, and 71.95% in 2012. For 2014 net loan indebtedness was formed in the amount of 15889379 MLN RUB.

During the analyzed period there is a decrease the share of the following items:

- amounts due to credit institutions with the Central Bank of the Russian Federation in 2013 compared to 2012 by 0.29%, and in 2014 compared to 2013 by 0.81%,
- net investments in securities and other financial assets available for sale in 2013 compared to 2012 by 0.63%, and in 2014 compared to 2013 by 2.69%,
- net investments in securities held to maturity in 2013 compared to 2012 by 0.18%, and in 2014 compared to 2013 by 0.8%,
- fixed assets, intangible and tangible assets in 2013 compared to 2012 by 0.35%, and in 2014 compared to 2013 by 0.68%.

Other indicators have a positive trend.

The liabilities of the largest proportion of the balance sheet items are introduced by liabilities that were 87.64% of total in 2014, 88.11% of total in 2013, and 90.88% of total in 2012.

Change on the results of 2014 in the direction of decreasing the proportion of own funds in total assets (from 12.6% to 9.12%) is an indication of the deterioration of the bank's financial stability, while high profitability and adequate capitalization of the bank are the basis of reliability. The dynamics of the financial performance of Sberbank was analyze and results are introduced bellow (Table 7).



**Table 7. Analysis of Financial Activities of Sberbank 2012 - 2014, MLN RUB**

	Year			Absolute Deviation, (+, -)		Rate of Increase, %	
	2012	2013	2014	in 2013 from 2012	in 2014 from 2013	in 2013 from 2012	in 2014 from 2013
Net Interest Income	694923	812678	959724	117755	147046	16.95	18.09
Interest Income, Total	1094015	1339005	1661885	244990	322880	22.39	24.11
from Funds on Deposit in Credit Organizations	9643	18595	31836	8952	13241	92.83	71.21
from Loans to Individuals	982415	1204934	1500796	222519	295862	22.65	24.55
from Investments into Securities	101957	115476	129254	13519	13778	13.26	11.93
Interest Losses, Total	399092	526327	702161	127235	175834	31.88	33.41
from Funds of Credit Organization	70214	85074	189112	14860	104038	21.16	122.29
from Funds of Individuals	319036	415698	487050	96662	71352	30.30	17.16
from Issued Debt Liabilities	9842	25555	25999	15713	444	159.65	1.74
Change in Reserve on Possible Losses on Loans	-2936	-39731	-279570	-36795	-239839	1253.24	603.66
Net Income from Securities and Financial Assets	11437	11005	-77044	-432	-88049	-3.78	-800.08
Net Income from FX Transactions	8759	216	-1473	-8543	-1689	-97.53	-781.94
Commission Income	159875	188907	241114	29032	52207	18.16	27.64
Other Operating Income	13173	18071	42227	4898	24156	37.18	133.67
Net Income	872061	969173	1027873	97112	58700	11.14	6.06
Operating expenses	397352	466383	598666	69031	132283	17.37	28.36
Income before Taxation	474709	502789	429206	28080	-73583	5.92	-14.63
Accrued Taxes	128534	125140	117993	-3394	-7147	-2.64	-5.71
Income after Taxation	346175	377649	311213	31474	-66436	9.09	-17.59

According to the data presented in Table 7, it can be stated that the activities of PJSC "Sberbank of Russia" for the period 2012-2014 is aimed at improving the efficiency of its operations.

In the structure of the bank's profits prevailing stable interest revenue, which is a factor that has a positive effect on the stability of future income i.e. the minimum degree of risk. However, it is worth noting that there are indicators with a negative value, for instance, the net income from foreign currency transactions in 2014 had a rate of -1.472 million rubles. Moreover, there was an increase in operating costs, which make up 598666 million rubles in 2014 and make a change of 28.36% during 2013-2014.

Furthermore, it is important to note the decrease in the profit before tax, which decreased by RUR 73.583 billion, and in the profit after tax, which decreased by RUR 66.436 billion in 2014, that in relation to 2013 make 14.63% and -17.59%, respectively. All the above indicates the development of the foreign exchange rate risks and the operational risks.

#### **4.2.2 Components of Credit and Liquidity Risks Ratios**

In order to evaluate the credit risk and the liquidity risk, the quality and content of assets and liabilities as to be analyzed. The optimal ratio between assets and liabilities in terms of recruitment and placement allows the bank to meet its obligations on time and to have a reliable resource basis. The analysis of liabilities begins with the identification of the size of the bank's own funds to determine their share in the total balance sum.

The own capital formulated on the stage of establishment of the bank for organizing its operations and ensures the stability and reliability of the functioning of the bank, as well as it gives an opportunity to calculate a profit for the expansion and modernization. The profit growth, as well as the growth of the own funds, while maintaining the solvency and credit risk

tolerance conditions ensures the stability and financial stability of a credit institution.

The management of the own funds plays an important role in ensuring the stability and profitability of the bank's liabilities. The own capital of the bank is the basis of increasing the volume of its active operations.

The own capital is the resources of commercial banks, including share capital, additional paid in capital, retained earnings, share premium, etc.

The analysis of the resource base of PJSC "Sberbank of Russia", which boils down to finding the resource base of the structure (own and borrowed funds) and their dynamics, was done by the researcher and the results are introduced below. The structural and dynamic analysis of the bank's resources is presented in Tables 8 and 9.

**Table 8. Analysis of Dynamics in Resources of Sberbank 2012 - 2014, MLN RUB**

	Year			Absolute Deviation, (+, -)		Rate of Increase, %	
	2012	2013	2014	in 2013 from 2012	in 2014 from 2013	in 2013 from 2012	in 2014 from 2013
<b>Liabilities Total, including</b>	13581754	16275097	21746760	2693343	5471663	19.83	33.62
<b>obligations</b>	11930258	14339896	19764422	2409638	5424526	20.20	37.83
<b>own funds resources</b>	1651496	1935201	1982338	283705	47137	17.18	2.44

The own funds of PJSC "Sberbank of Russia" for 2013 increased by 283.705 billion rubles or, in other words, by 17.18%, when for 2014 they increased by 47.137 billion rubles (by 2.44%). Over the entire study period, this indicator has a positive growth, which indicates a tendency to it increasing in future periods.

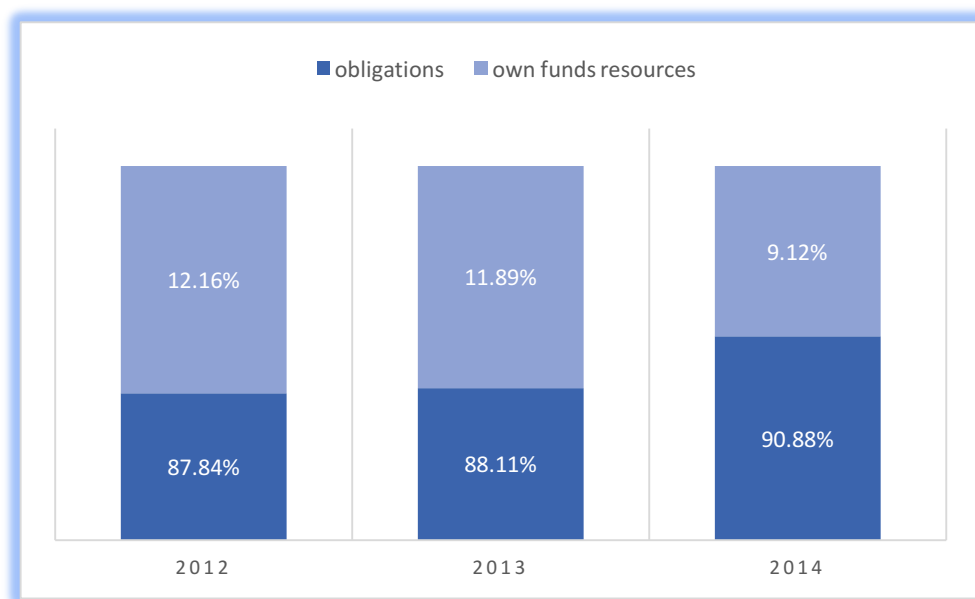
The resources structure by the own funds and borrowings reflects the main features of the functioning of the Bank as a credit institution (Table 9)

**Table 9. Analysis of Structure of Sberbank 2012 - 2014**

	2012 year		2013 year		2014 year		Change in Structure, %	
	Mln. Rub.	Proportion of the balance sheet items, %	Mln. Rub	Proportion of the balance sheet items, %	Mln. Rub.	Proportion of the balance sheet items, %	in 2013 from 2012	in 2014 from 2013
<b>Liabilities Total, including</b>	13581754	100.00	16275097	100.00	21746760	100.00	0.00	0.00
<b>obligations</b>	11930258	87.84	14339896	88.11	19764422	90.88	0.27	2.78
<b>own funds resources</b>	1651496	12.16	1935201	11.89	1982338	9.12	-0.27	-2.78

The analysis of the data in Table 9 shows that the total amount of resources of PJSC "Sberbank of Russia" of the share of the own funds in 2012 accounted for 12.16%, in 2013 11.89%, and in 2014 9.12%. The accelerated growth of the funds raised characterizes the reduction of the share capital base of its own.

The structure of resources by the own and borrowed (obligations) funds of Sberbank is presented in Figure 8.



**Figure 8. Structure of Shares of Reserves in the Balance Sheet of Sberbank 2012 - 2014**

Traditionally, the structure of resources in terms of the bank's own funds and obligations represented by the ratio of the proportion of the own funds in the bank's balance sheet liabilities ranges from 10% to 25% on average of the total resources of the bank, when the share of borrowed funds (obligations) varies from 75% to 90%.

Over the entire studied period, the bank's liabilities structure has not undergone major changes. Since 2012, the share of the bank's own funds decreased by 3.04% and amounted to 9.12% for 2014. The share of the bank's liabilities increased from 87.84% to 90.88%. One of the main factors ensuring the financial stability of the bank and reduced liquidity risk is to increase the bank's own funds.

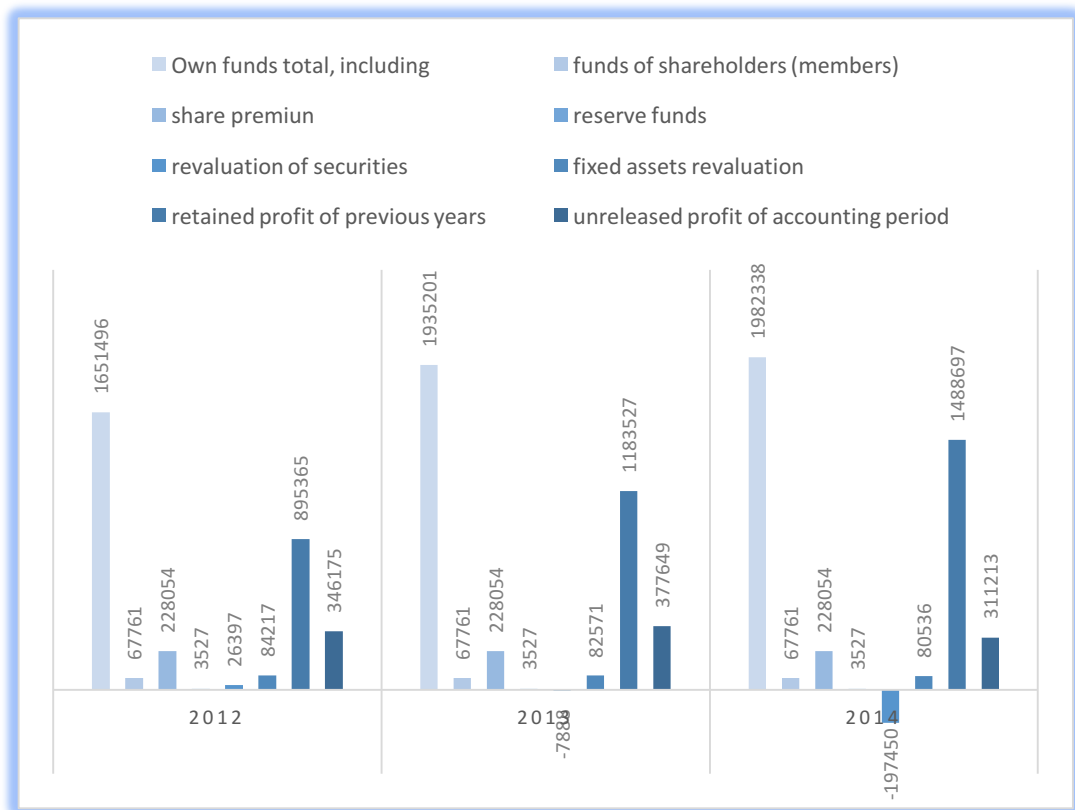
The dynamic of the bank's own funds of Sberbank for the period of 2012 - 2014 is presented in Table 10.

**Table 10. Analysis of Dynamics of Own Funds of Sberbank 2012 - 2014, MLN RUB**

	Year			Absolute Deviation, (+, -)		Rate of Increase, %	
	2012	2013	2014	in 2013	in 2014	in 2013	in 2014
				from 2012	from 2013	from 2012	from 2013
Own funds total, including	1651496	1935201	1982338	283705	47137	17.18	2.44
funds of shareholders (members)	67761	67761	67761	0	0	0	0
share premium	228054	228054	228054	0	0	0	0
reserve funds	3527	3527	3527	0	0	0	0
revaluation of securities	26397	-7888	-197450	-34285	-189562	-129.88	24
fixed assets revaluation	84217	82571	80536	-1646	-2035	-1.95	-2.46
retained profit of previous years	895365	1183527	1488697	288162	305170	32.18	25.78
unreleased profit of accounting period	346175	377649	311213	31474	-66436	9.09	-17.59

The analysis of the data in Table 10 shows that the total amount of the own funds for the period of 2012 - 2013 has increased by 283705 million rubles (+ 17.18%), and by 47137 million rubles (+ 2.44%) during 2013-2014.

Dynamics and structure of the own funds of Sberbank for period 2012 - 2014 is shown in Figure 9 and in Table 11.



**Figure 9. Dynamics of Own Funds of Sberbank 2012 - 2014, MLN RUB**

**Table 11. Analysis of Own Funds of Sberbank 2012 - 2014**

	Year						Change in Structure, %	
	2012		2013		2014		in 2013 from 2012	in 2014 from 2013
	Mln. Rub.	Proportion of the balance sheet items, %	Mln. Rub.	Proportion of the balance sheet items, %	Mln. Rub.	Proportion of the balance sheet items, %		
Own funds total, including	1651496	100.00	1935201	100.00	1982338	100.00	0.00	0.00
funds of shareholders (members)	67761	4.10	67761	3.50	67761	3.42	-0.60	-0.08
share premium	228054	13.81	228054	11.78	228054	11.50	-2.02	-0.28
reserve funds	3527	0.21	3527	0.18	3527	0.18	-0.03	0.00
revaluation of securities	26397	1.60	-7888	-0.41	-197450	-9.96	-2.01	-9.55
fixed assets revaluation	84217	5.10	82571	4.27	80536	4.06	-0.83	-0.20
retained profit of previous years	895365	54.22	1183527	61.16	1488697	75.10	6.94	13.94
unreleased profit of accounting period	346175	20.96	377649	19.51	311213	15.70	-1.45	-3.82

The data of Figure 9 and the analysis of Table 11 show that the shareholders' equity, the share premium fund and the reserve has not changed during the analyzed period of time, as a result of the activity of Sberbank is not carried out additional issue.

Analyzing the indicators, reducing the amount of the own funds of the Bank, it may be noted that the primary is the presence in the sources of the own funds of the fair value of the securities.



The amount of the revaluation of fixed assets for the period 2012 - 2013 decreased by 1.646 billion rubles (- 1.95%), and for period 2013 - 2014 to 2.035 billion rubles (-2.46%).

The retained profit of Sberbank has increased during analyzed years. Thus, retained earnings for the period 2012 - 2013 increased by 288.162 billion rubles (+ 32.18%), and for the period 2013 - 2014 by 305.17 billion rubles (+ 25.78%). The retained profit for the period 2012 - 2013 increased by 31.474 billion rubles (+ 9.09%), and for 2013 - 2014 decreased by 66.436 billion rubles (-17.59%).

Analyzing the structure of the own funds of Sberbank on 31 December 2014, it can be mentioned that the largest share is related to the retained profit of the bank, which in 2014 amounted to 75.1% (or 1.488697 trillion rubbles) that is 13.94% more than in the previous year.

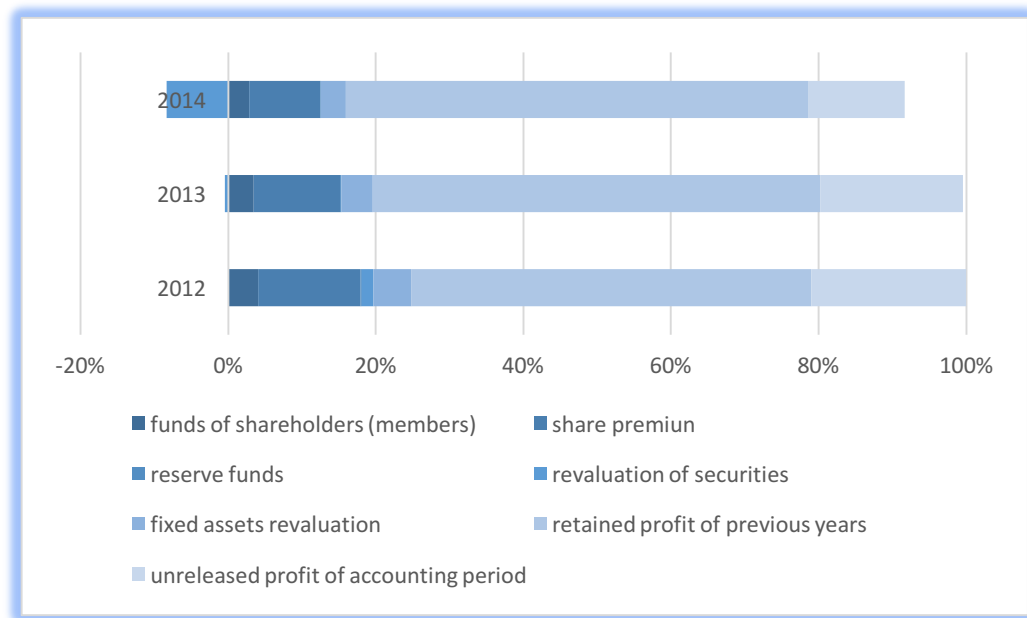
Another indicator that has a great influence the structure of the bank's own funds is the share premium of the bank. In 2014 it equaled 228054 MLN RUB, and it remained stable for the entire study period from 2012-2014.

Another important element of the structure is the bank's authorized capital, which has not met any changes during the study period, and in 2014 the it equaled to 67.761 billion rubles.

The high growth in the proportion of retained earnings in the total amount of the bank capital (from 54.22% up to 75.1%) indicates the formation of the bank's own funds mainly due to the highest quality (but at the same time the most expensive) sources. From the point of view of the bank's financial stability such resources have a positive impact on it.

On the other hand, the bank's own funds sources formatting mainly due to retained earnings, the authorized capital of the bank reduces the profitability of its operations.

Figure 10 clarifies the the structure of the own funds of Sberbank.



**Figure 10. Structure of Own Funds of Sberbank 2012 - 2014, %**

The data presented in Figure 10 shows that the profit is extremely important source of equity and evidences of bank's own potential in the development. The high volume of the profit of Sberbank defines its low share of the reserve fund. The low enough proportion of reserves in the structure of sources of the own funds of the bank reflects the current situation in the area of credit, when the first risk loans constitute a very small portion of the loan portfolio. Indirectly, this phenomenon testifies to the balanced policy of the Bank in lending when the bank does not seek to artificially underestimate the potential risk of the loan.

Analyzing the structure of sources of the own funds of the bank, a tendency to increase the share of retained earnings seen in the dynamics that takes into account the own funds to 13.94% in 2014 in comparison to 2013.

As a result, the major share of the bank's own funds in 2014 is related to the undistributed profit of the bank (75.1%), the retained earnings (15.7%), and the share premium (11.5%). When the lowest proportion of the bank's own funds includes shareholders' funds (3.42%), and the reserve fund (0.18%).

Thereby, the share of the own funds in the structure of resources tends to decrease, which is a negative factor. Therefore, measures to increase the Bank's own funds in the structure of resources of PJSC "Sberbank of Russia" are essential in the situation.

One of the main risks affecting the financial stability of the bank is the credit risk, as the share of net loan debt in total assets is on average 73% over the study period. The objective evaluation of the quality of the loan portfolio allows to create adequate reserves for possible losses on loans. On the basis of the Regulations of Bank of Russia 254-P and 283-P Sberbank has developed internal credit risk assessment and instructions (regulations) about how to create reserves. There is a procedure for assessing the financial position of the borrower with the financial statements in the Bank, which resulted in the decision to grant and the loan, and over the life of the loan held its creditworthiness. Bank insures itself from credit risk, taking as collateral the borrower's property, as well as guarantees from third parties that have a strong financial position.

The following Table 12 presents the data, characterizing the amount of the loan portfolio in the dynamics and the level of coverage of reserves for possible losses on loans. During the analyzed period, the loan portfolio tends to increase. So, in 2013 the volume of loans increased by 20.5% compared with 2012, and in 2014 it increased by 27.3% compared with

2013. At the same time Bank's expenditure on creation of reserves for possible losses increased as well due to deterioration loan portfolio. In 2013 the expenditure on creation of reserves increased by 36.8% compared to 2012, and in 2014 by 42.8% compared with 2013, which influenced the decrease in the Bank's profits. The level of coverage of the loan portfolio reserves amounted to 14.7% in 2014.

**Table 12. Composition and Structure of the Loan Portfolio**

	2012		2013		2014		Absolute Deviation, (+, -)		Rare of Increase, %	
	MLN RUB	proportion of the balance sheet item, %	MLN RUB	proportion of the balance sheet item, %	MLN RUB	proportion of the balance sheet item, %	In 2013 from 2012	In 2014 from 2013	In 2013 from 2012	In 2014 from 2013
Commercial loans to legal entities	5332705	49.5	6223923	46.0	9026511	48.5	891218	2802588	14.3	31.0
Specialized loans to legal entities	2897112	26.9	3572104	26.4	4752312	25.5	674992	1180208	18.9	75.2
Mortgage loans to individuals	1235000	11.5	1569232	11.6	2269823	12.2	334232	700591	21.3	24.8
Consumer and other loans to individuals	956305	8.9	1672812	12.4	1868315	10.0	716507	195503	42.8	10.5
Credit cards and overdrafts	221115	2.1	349001	2.6	538802	2.9	127886	189801	36.6	35.2
Car loans individuals	121100	1.1	157202	1.2	170452	0.9	36102	13250	33.0	7.8
Total loans to customers before allowance for loan impairment	10763337	100.0	13544274	100.0	18626215	100.0	2780937	5081941	20.5	27.3
Credit risk provision for loan impairment	990587		1566267		2736836		1566257.8	1170569	36.8	42.8
Loan portfolio provisioning level	9.2		11.6		14.7		2.4	3.1		

Data on the quality of the loan portfolio are presented in Table 13. It illustrates the increase in the share of problem and bad loans. Thus, in 2014

the share of hopeless loans in the total loan portfolio amounted to 9.6% against 5.6% in 2013, and in 2012 this figure was only 0.8%.

**Table 13. Evaluation of the Loan Portfolio by Quality Categories**

Quality Category of Loans	2012		2013		2014		Absolute Deviation, (+, -)		Rare of Increase, %	
	MLN RUB	proportion of the balance sheet item, %	MLN RUB	proportion of the balance sheet item, %	MLN RUB	proportion of the balance sheet item, %	In 2013 from 2012	In 2014 from 2013	In 2013 from 2012	In 2014 from 2013
Standard	4676521	43.4	5263312	38.9	6781345	36.4	586791	1518033	11.1	22.4
Custom	3867541	35.9	4978511	36.8	5873645	31.5	1110970	895134	22.3	15.2
Doubtful	1784323	16.6	1846325	13.6	2167548	11.6	62002	321223	3.4	14.8
Problematic	348112	3.2	676842	5.0	2017146	10.8	328730	1340304	48.6	66.4
Hopeless	86840	0.8	779284	5.8	1786531	9.6	692444	1007247	88.9	56.4
<b>Total</b>	<b>10763337</b>	<b>100.0</b>	<b>13544274</b>	<b>100.0</b>	<b>18626215</b>	<b>100.0</b>	<b>2780937</b>	<b>5081941</b>	<b>20.5</b>	<b>27.3</b>

#### 4.2.3 Analysis of Liquidity Risk, Credit Risk and Capital Adequacy

The main indicators of the level of liquidity risk, paying capacity, credit risks are: the economic standards, the limit value which is set by the Bank of Russia. Dynamics of mandatory standards of Sberbank of Russia for the period of 2012 - 2014 is presented in Table 14.

**Table 14. Economic Capital Adequacy and Liquidity of Sberbank 2012 - 2014, %**

Ratio of	Standard Ratio Value	Year			Absolute Deviation, (+, -)	
		2012	2013	2014	2013	2014
Capital Adequacy, (H1)	min. 10%	12.62	12.96	11.5	0.34	-1.46
Instant Liquidity, (H2)	min 15%	61.52	53.67	74.46	-7.85	20.79
Current Liquidity, (H3)	min 50%	74.34	58.59	66.52	-15.75	7.93
Long-term Liquidity, (H4)	max 120%	99.84	102.3	111.56	2.46	9.26
Maximum Size of Large Credit Risk, (H7)	max 800%	141.29	127.82	210.55	-13.47	82.73
Total Amount of Loans Extended to Insiders, (H10,1)	max 3%	1.04	1.06	1.02	0.02	-0.04
Standard of Own Bank's Funds (capital) for Acquisition of Shares of Other Legal Entities, (H12)	max 25%	0.79	0.92	9.6	0.13	8.68

The capital adequacy ratio (H1) goes up with an increase in the volume of equity and decreases with an increase in risk assets. This indicator is higher than the minimum, and make up 12.62% in 2012, 12.96% in 2013, and 11.50% in 2014. Therefore, it indicates that the bank has a good reserve of the own funds (capital).

The instant liquidity ratio (H2) is set in 2014 at 74.62%. The highly liquid assets more than necessary to cover the commitments for the day period.

The value of the current liquidity (H3) during the study period was reduced to 66.52%. But this value is above the lower limit, indicating that the optimal ratio between assets and liabilities, which strengthens the liquidity of the bank.

The value of the long-term liquidity ratio (H4) has increased to 111.56%. The volume of investments in the long-term assets is at an acceptable level.

In general, there is a positive trend can be seen in all the liquidity standards (ratio).

The coefficient H7 limits the maximum risk of all large loans. In 2012 H7 was 141.29%, in 2013 it changed to 127.82%, and in 2014 it became 210.55%. These figures indicate that the Bank is closely monitoring the risks associated with the lending process.

The indicator H10.1 represents the maximum risk on its insiders, i.e. individuals, who are either shareholders (holds more than 5% of the shares) or the directors and board members, credit committee members. In 2012 the indicator was 1.04%, in 2013 it was 1.06%, and in 2014 it was 1.02%.

The ratio of the bank's capital used for the acquisition of shares in other legal entities (H12) does not exceed the maximum value equal to 25% throughout the study period.

Thus, based on the statutory limit values, it is possible to draw a conclusion about the positive dynamics of PJSC "Sberbank of Russia". For all the basic standards of the bank liquidity ratio indicators exceed the minimum performance and do not reach the ceiling.

Based on the results of the analysis discussed above, the conclusion of the positive dynamics of PJSC "Sberbank of Russia" activities can be done. The main direction of the Bank's activities for the period of 2012-2014 is aimed at improving the efficiency of its operations. In the structure of the Bank's

profits prevailing stable interest income sources, which reduces the level of interest rate risk.

Finally, the analysis of the adequacy of bank capital and total capital of PJSC "Sberbank of Russia" is displayed in Table 15.

**Table 15. Analysis of Adequacy of Capital and Total Capital of PJSC "Sberbank of Russia" 2012 - 2014**

	Year			Change	
	2012	2013	2014	in 2013 from 2012	in 2014 from 2013
<b>Tier I capital, MLN RUB</b>	1474400	1788100	2007800	313700	219700
<b>Tier II capital, MLN RUB</b>	465200	478400	827500	13200	349100
<b>Credit Risk Value, MLN RUB</b>	13693100	16397100	22845300	2704000	6448200
<b>Market Risk Value, MLN RUB</b>	452500	550000	519700	97500	-30300
<b>Total Risk Weighted Assets, MLN RUB</b>	14145600	16947100	23365000	2801500	6417900
<b>Capital Adequacy Ratio, %</b>	10.4	10.6	8.6	0.2	-2.0
<b>Total Capital Adequacy Ratio, %</b>	13.7	13.4	12.1	-0.3	-1.3

Tier I capital (core capital) in the period from 2012-2014 increased by 36.17% and on 31 December 2014 amounted to 2007.8 billion rubbles. Tier II capital (supplementary capital) increased by 77.88% and on 31 December 2014 amounted to 827.5 billion rubles. Furthermore, the risks for the entire period have also increased at 65.18% and on 31 December 2014 amounted to 23365 billion rubbles. The core capital adequacy ratio tends to decrease during 31 December 2012 and 31 December 2014 by 1.8%.



The adequacy ratio of total capital decreased by 1.6% and on 31 December 2014 amounted to 12.1%. The current negative changes indicate the deterioration of the financial situation of the bank.

Thus, despite the fact that all the parameters calculated either deteriorate, remaining practically the limiting values of standard ranges, or do not have thereof intervals, however, they also tend to deteriorate.

## **5 CONCLUSIONS AND RECOMMENDATIONS**

This chapter is aimed to summarize the findings of the research, introduced in Chapter 4, and to provide recommendations for the company studied by the researcher, in order to highlight the main aspects that seem to be the most crucial, and to make some suggestions for future development.

### **5.1 Conclusions**

In accordance with the research results it can be concluded that PJSC "Sberbank of Russia" has a stable financial position, and it is able to timely and fully perform its obligations to the customers and shareholders. The main indicators characterizing the level of credit risk, liquidity risk, capital adequacy fully satisfy the requirements of the Bank of Russia.

The analysis of the bank's financial statements, conducted by the researcher showed that stable interest revenue dominates in the structure of the bank's income, which has a positive effect on the stability of future earnings and maintaining a minimum level of risk. However, it is worth noting that there are the indicators with a negative value such as the net income from foreign currency transactions which was -1.472 billion rubles in 2014. Furthermore, the operating costs tended to increase. The operating costs values was 598.666 billion rubles in 2014, a change of 28.36% compared to 2013.

Another change that should be mentioned is the decrease in the profit before tax by 73.583 billion rubles and in the profit after tax by 66.436 billion rubles in 2014, a change of -14.63% and -17.59% respectively in relation to 2013. All the above testifies of the development of the foreign exchange and operational risks, and of the decreasing profit of the bank.

The bank capital meets the requirements of the Bank of Russia and of the Basel Committee on Banking Supervision.

The study shows that in spite of the strong financial position of the bank, the volume of problematic and hopeless loans in the loan portfolio has increase. Furthermore, there was an increase in the spending on the reserves for possible losses on loans and decrease in the profit. These facts indicate an increase in the credit risk, liquidity risk and capital adequacy. In order to mitigate the negative trends, the recommendations on the reduction of the risks listed above were developed by the author.

## **5.2 Recommendations**

The main focus of risk management of the Bank should be aimed at minimizing credit risk. The credit risk was the reason for the bank to increase the reserves for possible losses on loans in 2014 and, consequently, it resulted in the decrease in profits during the reporting period.

The cooperation with the credit bureaus and insurance companies could have a positive effect on credit risk reduction. The cooperation with the credit bureau would reduce the cost of the evaluation of trustworthiness of borrowers, improve the quality of risk management, reduce the proportion of problematic loans, and reduce the reserve costs.

Furthermore, an important part of credit risk management is the development of measures to reduce and prevent the identified risk. The

author states that it is appropriate to introduce additional measures for increasing the risk management effectiveness, such as

- changing in customers' business sustainability criteria taking into account the activities in the economic crisis,
- sufficient and timely cash flow from operating activities of the borrower,
- operating profitability of the business,
- collateral of liquid assets for secured loans,
- insurance of the mortgaged property,
- securing the loans by guarantees and sureties of the state or business owners,
- increasing the level and quality of control on the behalf of PJSC "Sberbank of Russia" for the financial status and activities of the borrower, and
- credit insurance.

For the reliable assessment of the creditworthiness, the researcher proposes to use not only the financial statement of a client provided to the tax authorities, but also the management reports. The reason for that is that the official financial statements of the legal entity in Russia does not always reflect the real picture, thus, it is advisable that the bank will develop its own program to assess the value of the borrower's business.

To reduce the credit risk level, the author recommends to reduce the limits for loans to a single borrower. This method is used when the bank is not completely sure in the creditworthiness sufficiency of the client. The reduction in the size of the loan protect the bank from significant losses in case of not meeting obligations by the client. In this case the main criteria should be not the loan's security by property, but the client's the ability to meet his obligations on time.

To mitigate the credit risk, it may be recommended debt insurance. The credit insurance means a complete transfer of all risks of default of the specialized insurer.

One of the factors to minimize credit risks is securing of the availability of loan indebtedness in the form of highly liquid assets. It should be borne in mind that the amount of the security should cover not only the amount of the granted loan, but also the amount of interest rate on it. In order to the preserve the pledged property, it is necessary to insure it from the risk of loss in reliable insurance companies.

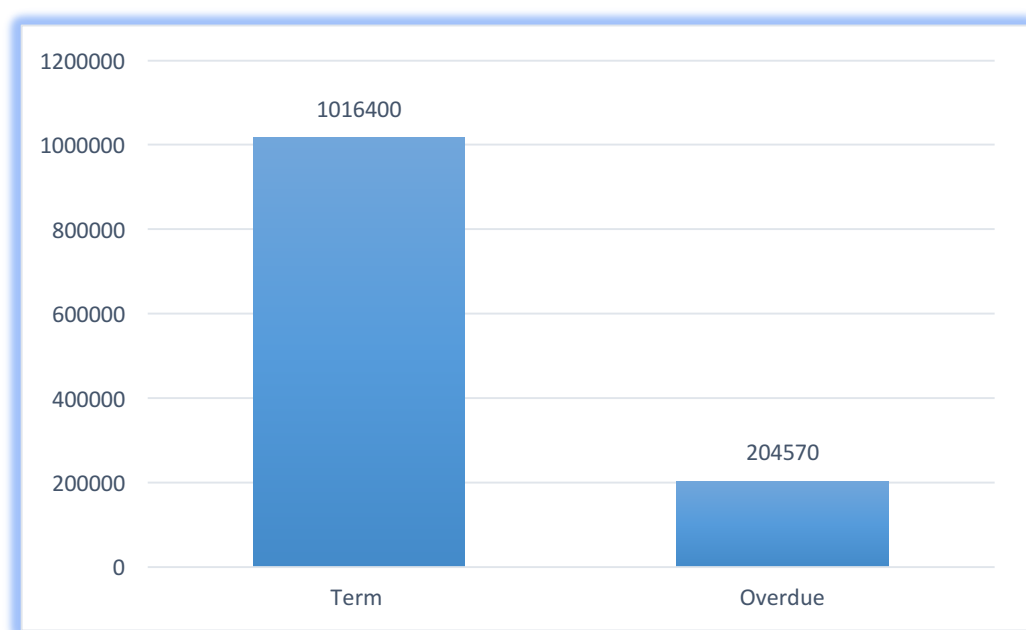
To illustrate the above the following example is considered. For instance, considering the situation when non-performing loans, granted in the form of a revolving credit line in 2014, would be insured in 2015. In this case, if the insurance indemnity is 80% of the contract amount and if the loan is within the amount of the contract, then the expecting rest of overdue loans will decrease.

To calculate the volume of term loan indebtedness during the forecast period leaves the same as in the baseline, and the overdue loans in the forecast period is calculated as the residue of overdue loan in the base period multiplied by 80%, where 80% is the insurance indemnity rate of the Bank. The calculations are provided in Table 16.

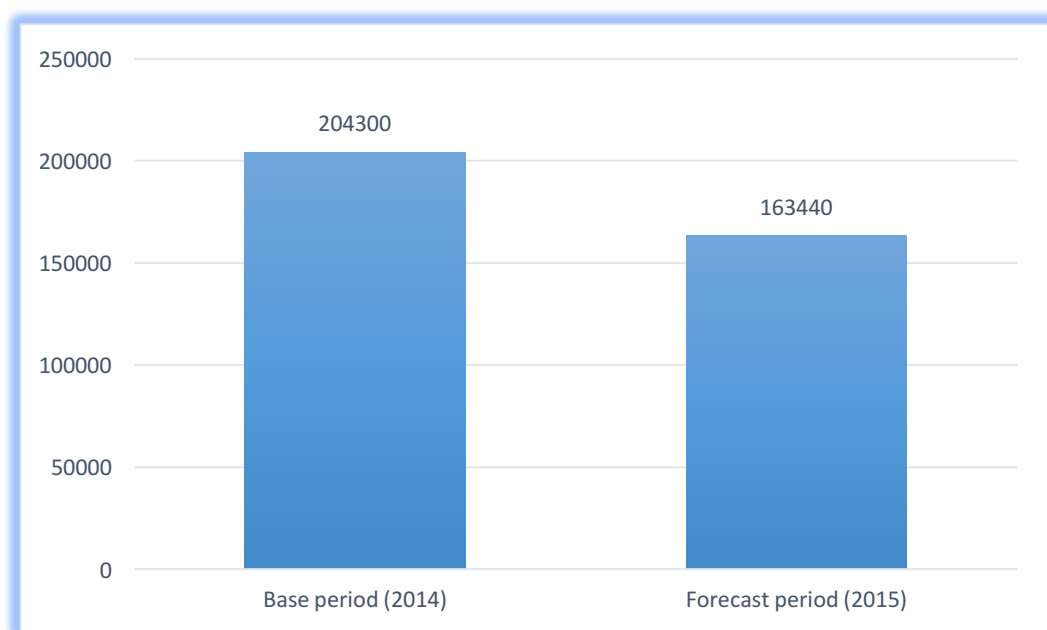
**Table 16. The Borrower's Property Insurance Effectiveness in Case of the Revolving of Credit Line Provision**

Loan indebtedness balance	Base period, MLN RUB 2014 year	Share, %	Forecast period, MLN RUB 2015 year	Share, %
<b>Term</b>	1016400	83.25	1016400	86.13
<b>Overdue</b>	204570	16.75	163660	13.87
<b>Total</b>	1220970		1180060	

Analyzing the data in Table 16, it can be concluded that when insuring the property interests of the borrower under the contracts, the share of overdue loans on revolving credit lines reduced from 204.57 billion rubles (or 16.75%) to 163.66 billion rubles (or 13.87%). Figures 11 and 12 are visualizing the change in balance of loan receivable.



**Figure 11. Balance of Loans Debt by Types during the Base Period, MLN RUB**



**Figure 12. Balance of Loans Debt by Types during the Forecast Period, MLN RUB**

As Figure 12 shows, in case of insuring the contracts it will be a decrease in value of the overdue loans on the amount of 40.91 billion rubbles, which is about 20% from total.

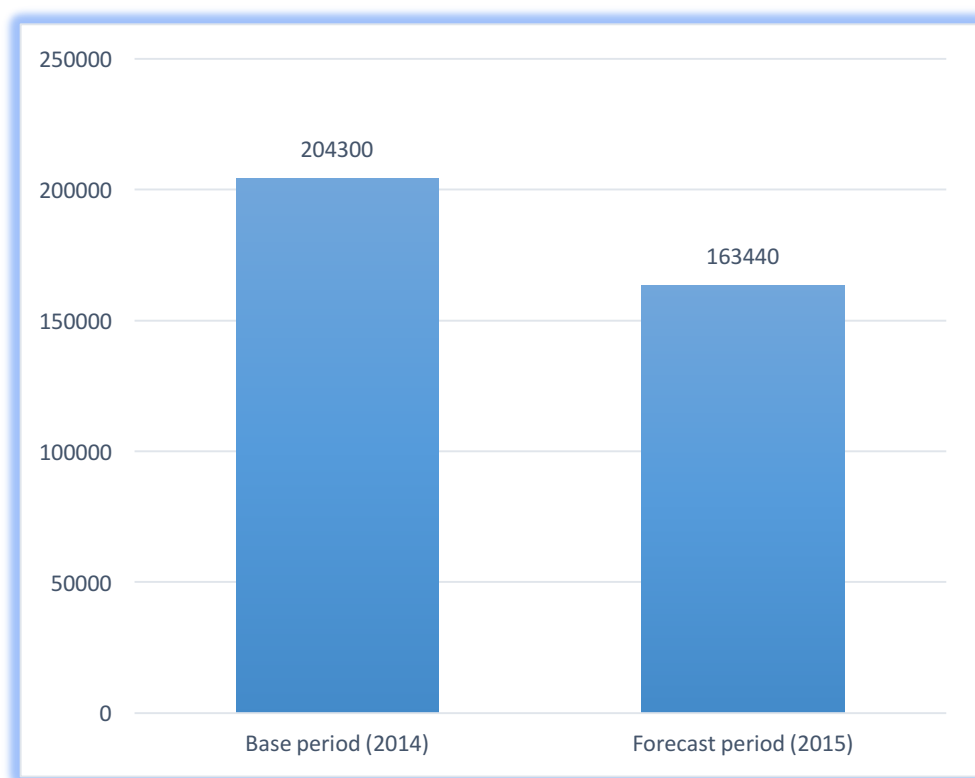
In the situation, when the insurance of bank loans is carried on terms offered for trade loans by the insurance companies, the results of the use of such measures will differ. Table 17, which is introduced below, illustrates the effectiveness of such measures application. To calculate the forecast period, the formula introduced above is in use. Balance of the term loans remains the same.

**Table 17. The Effectiveness of the Property Insurance and the Responsibilities of the Borrower for Legal Entities**

Loan indebtedness balance	Base period, MLN RUB 2014 year	Share, %	Forecast period, MLN RUB 2015 year	Share, %
<b>Term</b>	736100	78.28	736100	81.83
<b>Overdue</b>	204300	21.72	163440	18.17
<b>Total</b>	940400		899540	

The data in Table 17 shows that when property interests under contracts are insured for lending for working capital and for the borrower's liability for other purposes, the share of overdue loans will decrease from 204300 million rubles (or 21.72%) to 163.44 million rubles (or 18.17%).

The dynamics of overdue loans in the base and the forecast periods is presented by Figure 13.



**Figure 13. Dynamics of Overdue Loan during Basic and Forecast Periods, MLN RUB**

Figure 13 shows that in case when the loans are insured, there is a decline in the share of overdue loans, in particular the decrease amounted to 408600 million rubles.

One of the options for the bank to reduce the overdue loans is to sell it. That will allow the bank to reduce the size of the reserves and to improve their financial performance.

The main advantages from selling the overdue loans are:

- improvements in the quality of the loan portfolio,
- returns to the revenue from created reserves,



- absence of costs from self-support portfolio, and
- improvement in performance indicators for investors and for the Central Bank of the Russian Federation.

In practice, nowadays in Russia the market of sale of overdue payments is in its infancy. This is due to the fact that the companies buying the portfolio of problem loans, do not have sufficient financial resources to carry out such transactions, as well as sufficient statistical basis for evaluation of this portfolio.

The measures recommended above, provides the opportunity to reduce the credit risks and, as the result, to the reduce the spending on reserves. That leads to the increase in the profit of the bank, which helps to increase capital adequacy ratios to the required level on time, in accordance with the Basel Committee requirements. In addition, will contribute to the reduction of interest rates on the most expensive liabilities and increase in interest rates on the riskiest types of loans, such as consumer loans and loans for small business, will contribute the increase in the value of the bank's capital adequacy ratio.

In addition, in order to advance the risk management in the bank, it is recommended to put into use the risk management techniques, such as scenario analysis and value-at-risk techniques, which are introduced and critically discussed in the theoretical part of the current paper. As it was said before, there are many different methods to forecast banking risks, and each of them have its limitations and advantages. Thus, it is crucial to pay attention for deeper exploring each of the technique in order to select the most suitable according to the situation.

## 6 DISCUSSION

The discussion chapter starts with the evaluation of the research on its credibility. Then it is followed by underlined limitations to the research, and, finally, the suggestions for further researcher.

### 6.1 Credibility of the Research

According to Kananen (2013,189)

*Credibility issues must be taken into consideration already at the planning stage of the work, for after collecting the data and analysis there is no longer any option to improve credibility.*

In order to implement the research, the research design, and methods of data collection and analysis have to carefully selected, and the documentation of the research process and all the sages of it have to be described (ibid.). Thus, the current research is fairly credible. In order to obtain the results and make the conclusions and recommendations, the researcher went through all stages needed. On the researcher's side, the analysis of the data collected and further interpretation of findings is closely based on the theoretical background of the current work. The data collected for analysis was carefully selected. In order to obtain more valid and reliable results, the researcher contacted the case bank and had a discussion with its representatives, after which she obtained a more detailed financial information about the case company, which was used for the analysis. A quantitative approach was chosen for the research implementation as it was the most suitable for the research questions asked at the beginning of the study process. The research questions and objectives were met through the work, and the conclusions answer questions. Moreover, based on the results and conclusions made throughout the study, recommendations were introduced for the case bank

in order to help their development and financial success in their future activities.

## **6.2 Limitations to the Research**

Almost any research has its limitations that could be associated with a number of various issues. This research is not an exception and it has some limitations, which are further discusses below.

Firstly, due to the unstable economic situation in the chosen case country, the fluctuation of the domestic currency exchange rate, which plays an important role in the financial institutions' activities, and the changing laws and regulations of the Russian banking sector, some changes in the management structure of the case company that had taken place during the analyzed period. Thus, the researcher found it difficult to collect all the data needed for the analysis (for instance, the market interest rate during the years analyzed).

Secondly, even though the bank provided some additional information for the researcher, some information was considered to be confidential and not allowed to be used for the analysis and for publications.

Furthermore, because of the limited time, it was not possible to study all the risks faced by the bank. The researcher decided to focus on the three main risks, even though, other risks, which were not included in the research, also have an important effect on the financial life of the companies.

Finally, because the researcher is currently a bachelor's degree student, there are some limitations in her theoretical knowledge and analyzing skills, which are also associated with the limitations of the research.

### **6.3 Suggestions for Future Research**

In accordance with the confidentiality rules, the primary documents of the bank were not available to the author during the study process. Through accessing those documents, a more accurate calculation of the amount of risk could be done. Therefore, for the future researches it may be recommended to conduct more in-depth work in the current direction.

The conducted study can support other commercial banks to carry out more detailed and in-depth researches of the factors affecting the level of basic banking risks. For example, to analyze the assets and liabilities of the quality, comparability terms of attracting and accommodating, the level of interest rates on attracted and placed funds, adequacy of provisions for possible losses on loans, reasons for the decline of profit, methods and techniques of assessment of basic banking risks. That will provide a better understanding of the financial risks and create strategies for increasing the revenue and success in the market.

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## APPENDICES

### Appendice 1. Annual Accounting (Financial) Statements of PJSC "Sberbank of Russia" for 2012 Accounting Year

Код территории по ОКАТО	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (/порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

#### БУХГАЛТЕРСКИЙ БАЛАНС (публикуемая форма) на 1 января 2013 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409806  
Квартальная (Годовая)  
тыс. руб.

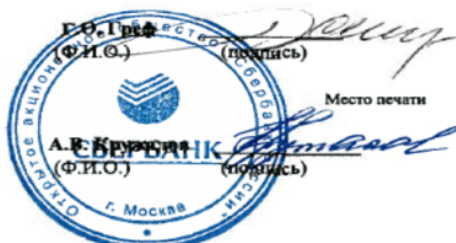
Номер строки	Наименование статьи	Данные на отчетную дату	Данные на соответствующую отчетную дату прошлого года
1	2	3	4
I	<b>АКТИВЫ</b>		
1	Денежные средства	725 051 773	492 880 738
2	Средства кредитных организаций в Центральном банке Российской Федерации	381 207 927	151 196 647
2.1	Обязательные резервы	122 373 578	99 392 457
3	Средства в кредитных организациях	81 464 392	38 443 527
4	Финансовые активы, оцениваемые по справедливой стоимости через прибыль или убыток	101 883 985	23 528 226
5	Чистая ссудная задолженность	9 772 750 284	7 658 870 942
6	Чистые вложения в ценные бумаги и другие финансовые активы, имеющиеся в наличии для продажи	1 541 630 850	1 140 033 047
6.1	Инвестиции в дочерние и зависимые организации	281 233 360	94 030 603
7	Чистые вложения в ценные бумаги, удерживаемые до погашения	361 861 978	417 065 553
8	Основные средства, нематериальные активы и материальные запасы	438 028 479	370 948 267
9	Прочие активы	177 874 551	126 452 216
10	Всего активов	13 581 754 219	10 419 419 163
II	<b>ПАССИВЫ</b>		
11	Кредиты, депозиты и прочие средства Центрального банка Российской Федерации	1 367 973 939	565 388 335
12	Средства кредитных организаций	605 450 003	477 466 955
13	Средства клиентов, не являющихся кредитными организациями	9 462 176 277	7 877 197 651
13.1	Вклады физических лиц	6 288 049 613	5 522 845 516
14	Финансовые обязательства, оцениваемые по справедливой стоимости через прибыль или убыток	25 965 548	0
15	Выпущенные долговые обязательства	331 891 304	87 222 883
16	Прочие обязательства	115 477 162	85 195 233
17	Резервы на возможные потери по условным обязательствам кредитного характера, прочим возможным потерям и операциям с резидентами офшорных зон	21 323 838	26 305 667
18	Всего обязательств	11 930 258 071	9 118 776 724
III	<b>ИСТОЧНИКИ СОБСТВЕННЫХ СРЕДСТВ</b>		
19	Средства акционеров (участников)	67 760 844	67 760 844
20	Собственные акции (доли), выкупленные у акционеров (участников)	0	0
21	Эмиссионный доход	228 054 226	228 054 226
22	Резервный фонд	3 527 429	3 527 429
23	Переоценка по справедливой стоимости ценных бумаг, имеющихся в наличии для продажи	26 396 638	-26 013 504
24	Переоценка основных средств	84 217 444	84 710 995
25	Нераспределенная прибыль (непокрытые убытки) прошлых лет	895 365 048	632 107 538
26	Неиспользованная прибыль (убыток) за отчетный период	346 174 519	310 494 911
27	Всего источников собственных средств	1 651 496 148	1 300 642 439
IV	<b>ВНЕБАЛАНСОВЫЕ ОБЯЗАТЕЛЬСТВА</b>		
28	Безотзывные обязательства кредитной организации	2 573 818 494	2 057 720 135
29	Выданные кредитной организацией гарантии и поручительства	882 103 667	643 334 969
30	Условные обязательства некредитного характера	2 557 660	747 324

По строке 4 "Финансовые активы, оцениваемые по справедливой стоимости через прибыль или убыток" и по строке 14 "Финансовые обязательства, оцениваемые по справедливой стоимости через прибыль или убыток" не указана информация по производным финансовым инструментам по состоянию на 01 января 2012 года в связи с отсутствием учета таких операций до 01.01.2012.

Президент, Председатель Правления  
ОАО "Сбербанк России"

Главный бухгалтер Сбербанка России -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

" 18 марта 2013 г.



Банковская отчетность

Код территории по ОКATO	Код кредитной организации (филиала)		
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (порядковый номер)
45293554000	00032537	1027700132195	1481
			БИК 044525225

### ОТЧЕТ О ПРИБЫЛЯХ И УБЫТКАХ (публикуемая форма)

за 2012 год

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409807

Квартальная (Годовая)

тыс. руб.

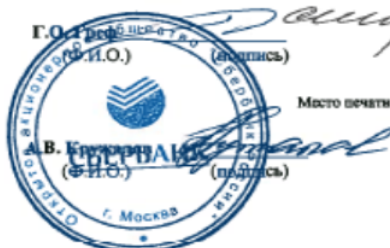
Номер строки	Наименование статьи	Данные за отчетный период	Данные за соответствующий период прошлого года
1	2	3	4
1	Процентные доходы, всего, в том числе:	1 094 015 347	837 887 816
1.1	От размещения средств в кредитных организациях	9 643 007	7 885 809
1.2	От осуд, предоставленных клиентам, не являющимся кредитными организациями	982 415 257	729 556 638
1.3	От оказания услуг по финансовой аренде (лизингу)	0	0
1.4	От вложений в ценные бумаги	101 957 083	100 445 369
2	Процентные расходы, всего, в том числе:	399 092 075	262 061 888
2.1	По привлеченным средствам кредитных организаций	70 213 998	28 280 326
2.2	По привлеченным средствам клиентов, не являющимся кредитными организациями	319 035 780	230 620 472
2.3	По выданным долговым обязательствам	9 842 297	3 161 090
3	Чистые процентные доходы (отрицательная процентная маржа)	694 923 272	575 825 928
4	Изменение резерва на возможные потери по ссудам, осудной и приравненной к ней задолженности, средствам, размещенным на корреспондентских счетах, а также начисленным процентным доходам, всего, в том числе:	-2 935 873	16 393 889
4.1	Изменение резерва на возможные потери по начисленным процентным доходам	-538 989	235 208
5	Чистые процентные доходы (отрицательная процентная маржа) после создания резерва на возможные потери	691 987 399	592 219 817
6	Чистые доходы от операций с финансовыми активами, оцениваемыми по справедливой стоимости через прибыль или убыток	8 405 211	-2 004 064
7	Чистые доходы от операций с ценными бумагами, имеющимися в наличии для продажи	3 032 642	8 245 132
8	Чистые доходы от операций с ценными бумагами, удерживаемыми до погашения	-979	-13 693
9	Чистые доходы от операций с иностранной валютой	8 758 745	2 800 191
10	Чистые доходы от переоценки иностранной валюты	-3 109 858	6 344 991
11	Доходы от участия в капитале других юридических лиц	3 959 989	3 529 344
12	Комиссионные доходы	159 874 974	134 285 740
13	Комиссионные расходы	15 128 955	8 709 750
14	Изменение резерва на возможные потери по ценным бумагам, имеющимся в наличии для продажи	61 800	-28 271
15	Изменение резерва на возможные потери по ценным бумагам, удерживаемым до погашения	414 071	41 098
16	Изменение резерва по прочим потерям	632 408	-5 166 633
17	Прочие операционные доходы	13 173 217	12 182 822
18	Чистые доходы (расходы)	872 060 664	743 726 724
19	Операционные расходы	397 351 665	334 825 179
20	Прибыль (убыток) до налогообложения	474 708 999	408 901 545
21	Начисленные (уплаченные) налоги	128 534 480	98 406 634
22	Прибыль (убыток) после налогообложения	346 174 519	310 494 911
23	Выплаты из прибыли после налогообложения, всего, в том числе:	0	0
23.1	Распределение между акционерами (участниками) в виде дивидендов	0	0
23.2	Отчисления на формирование и пополнение резервного фонда	0	0
24	Неиспользованная прибыль (убыток) за отчетный период	346 174 519	310 494 911

В состав строки 6 "Чистые доходы от операций с финансовыми активами, оцениваемыми по справедливой стоимости через прибыль или убыток" графы 4 не включены данные по финансовым активам, признанным производными финансовыми инструментами в 2012 году, в связи с отсутствием учета таких операций до 01.01.2012.

Президент, Председатель Правления  
ОАО "Сбербанк России"

Главный бухгалтер Сбербанка России -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

- 18 января 2013 г.





Банковская отчетность

Код территории по ОКATO	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (/порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

**ОТЧЕТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ**  
(публикуемая форма)  
за 2012 год

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы 0409814

Годовая

тыс. руб.

Номер п/п	Наименование статей	Денежные потоки за отчетный период	Денежные потоки за предыдущий отчетный период
1	2	3	4
1	<b>Чистые денежные средства, полученные от (использованные в) операционной деятельности</b>		
1.1	Денежные средства, полученные от (использованные в) операционной деятельности до изменений в операционных активах и обязательствах, всего, в том числе:	372 812 592	308 499 437
1.1.1	Проценты полученные	1 077 670 297	820 253 346
1.1.2	Проценты уплаченные	-382 510 239	-260 291 556
1.1.3	Комиссии полученные	158 787 555	134 379 929
1.1.4	Комиссии уплаченные	-15 038 891	-8 648 814
1.1.5	Доходы за вычетом расходов по операциям с финансовыми активами, оцениваемыми по справедливой стоимости через прибыль или убыток, имеющимися в наличии для продажи	1 420 412	296 396
1.1.6	Доходы за вычетом расходов по операциям с ценными бумагами, удерживаемыми до погашения	0	0
1.1.7	Доходы за вычетом расходов по операциям с иностранной валютой	8 758 758	2 686 708
1.1.8	Прочие операционные доходы	11 887 988	13 164 026
1.1.9	Операционные расходы	-362 260 909	-303 303 254
1.1.10	Расход (возмещение) по налогам	-125 902 379	-90 037 344
1.2	Прирост (снижение) чистых денежных средств от операционных активов и обязательств, всего, в том числе:	574 448 290	-325 122 503
1.2.1	Чистый прирост (снижение) по обязательным резервам на счетах в Банке России	-22 981 121	-48 860 767
1.2.2	Чистый прирост (снижение) по вложениям в ценные бумаги, оцениваемым по справедливой стоимости через прибыль или убыток	-51 115 813	7 525 040
1.2.3	Чистый прирост (снижение) по ссудной задолженности	-2 180 231 415	-1 843 943 066
1.2.4	Чистый прирост (снижение) по прочим активам	-37 413 475	9 347 443
1.2.5	Чистый прирост (снижение) по кредитам, депозитам и прочим средствам Банка России	802 585 604	265 388 334
1.2.6	Чистый прирост (снижение) по средствам других кредитных организаций	146 863 284	174 482 724
1.2.7	Чистый прирост (снижение) по средствам клиентов, не являющихся кредитными организациями	1 660 564 341	1 141 839 491
1.2.8	Чистый прирост (снижение) по финансовым обязательствам, оцениваемым по справедливой стоимости через прибыль или убыток	0	0
1.2.9	Чистый прирост (снижение) по вынужденным долговым обязательствам	244 118 261	-20 800 487
1.2.10	Чистый прирост (снижение) по прочим обязательствам	12 058 624	-10 101 215
1.3	Итого по разделу 1 (ст.1.1 + ст.1.2)	947 260 882	-16 623 066
2	<b>Чистые денежные средства, полученные от (использованные в) инвестиционной деятельности</b>		
2.1	Приобретение ценных бумаг и других финансовых активов, относящихся к категории "имеющиеся в наличии для продажи"	-606 558 735	-741 968 529
2.2	Выручка от реализации и погашения ценных бумаг и других финансовых активов, относящихся к категории "имеющиеся в наличии для продажи"	229 381 275	1 042 724 061
2.3	Приобретение ценных бумаг, относящихся к категории "удерживаемые до погашения"	-2 640 636	-77 705 943
2.4	Выручка от погашения ценных бумаг, относящихся к категории "удерживаемые до погашения"	57 643 886	18 587 919
2.5	Приобретение основных средств, нематериальных активов и материальных запасов	-102 178 098	-81 289 404
2.6	Выручка от реализации основных средств, нематериальных активов и материальных запасов	2 542 333	761 592
2.7	Дивиденды полученные	3 937 071	3 536 398
2.8	Итого по разделу 2 (сумма строк с 2.1 по 2.7)	-417 872 904	164 646 094
3	<b>Чистые денежные средства, полученные от (использованные в) финансовой деятельности</b>		
3.1	Взносы акционеров (участников) в уставный капитал	0	0
3.2	Приобретение собственных акций (долей), выкупленных у акционеров (участников)	0	0
3.3	Продажа собственных акций (долей), выкупленных у акционеров (участников)	0	0
3.4	Выплаченные дивиденды	-47 330 379	-20 950 570
3.5	Итого по разделу 3 (сумма строк с 3.1 по 3.4)	-47 330 379	-20 950 570
4	Влияние изменений официальных курсов иностранных валют по отношению к рублю, установленных Банком России, на денежные средства и их эквиваленты	141 193	-7 128 818
5	Прирост (использование) денежных средств и их эквивалентов	482 198 792	119 943 640
5.1	Денежные средства и их эквиваленты на начало отчетного года	582 513 944	462 570 304
5.2	Денежные средства и их эквиваленты на конец отчетного года	1 064 712 736	582 513 944

Президент, Председатель Правления  
ОАО "Сбербанк России"

Главный бухгалтер Сбербанка России -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

18 марта 2013 г.



Банковская отчетность				
Код территории по ОКATO	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (/порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

# **ОТЧЕТ ОБ УРОВНЕ ДОСТАТОЧНОСТИ КАПИТАЛА, ВЕЛИЧИНЕ РЕЗЕРВОВ НА ПОКРЫТИЕ СОМНИТЕЛЬНЫХ ССУД И ИНЫХ АКТИВОВ**

(публикуемая форма)

по состоянию на 1 января 2013 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409808

Квартальная (Годовая)

Номер строки	Наименование показателя	Данные на начало отчетного года	Прирост (+) / снижение (-) за отчетный период	Данные на отчетную дату
1	2	3	4	5
1	Собственные средства (капитал) (тыс. руб.), всего, в том числе:	1 515 779 758	163 311 331	1 679 091 089
1.1	Уставный капитал кредитной организации, в том числе:	67 760 844	0	67 760 844
1.1.1	Номинальная стоимость зарегистрированных обыкновенных акций (долей)	64 760 844	0	64 760 844
1.1.2	Номинальная стоимость зарегистрированных привилегированных акций	3 000 000	0	3 000 000
1.2	Собственные акции (доли), выкупленные у акционеров (участников)	0	0	0
1.3	Эмиссионный доход	228 054 226	0	228 054 226
1.4	Резервный фонд кредитной организации	3 527 429	0	3 527 429
1.5	Финансовый результат деятельности, принимаемый в расчет собственных средств (капитала):	931 394 889	289 549 020	1 220 943 909
1.5.1	прошлых лет	633 468 145	263 106 380	896 574 525
1.5.2	отчетного года	297 926 744	26 442 640	324 369 384
1.6	Нематериальные активы	2 555 334	2 369 192	4 924 526
1.7	Субординированный кредит (займ, депозит, облигационный займ)	300 000 000	60 745 400	360 745 400
1.8	Источники (часть источников) дополнительного капитала, для формирования которых инвесторами использованы принадлежащие активы	0	0	0
2	Нормативное значение достаточности собственных средств (капитала), (процентов)	10.0	x	10.0
3	Фактическое значение достаточности собственных средств (капитала), (процентов)	15.0	x	12.6
4	Фактически сформированные резервы на возможные потери (тыс. руб.), всего, в том числе:	677 852 802	-31 036 459	646 816 343
4.1	по ссудам, ссудной и приравненной к ней задолженности	634 257 009	-28 018 655	606 238 354
4.2	по иным активам, по которым существует риск понесения потерь, и прочим потерям	17 290 126	1 964 025	19 254 151
4.3	по условным обязательствам кредитного характера, отраженным на внебалансовых счетах, и срочным сделкам	26 242 586	-4 973 928	21 268 658
4.4	под операции с резидентами офшорных зон	63 081	-7 901	55 180

## Раздел "Справочно":

1	Формирование (доначисление) резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности в отчетном периоде (тыс. руб.), всего	268 165 933
1.1	в том числе вследствие:	
1.1.1	выдачи новых ссуд	112 307 691
1.1.2	изменения качества ссуд	133 221 037
1.3	изменения официального курса иностранной валюты по отношению к рублю, установленного Банком России	0
1.4	иных причин	22 637 205
2	Восстановление (уменьшение) резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности в отчетном периоде (тыс. руб.), всего	296 184 588
2.1	в том числе вследствие:	
2.1.1	списания безнадежных ссуд	30 608 981
2.2	погашения ссуд	212 308 015
2.3	изменения качества ссуд	36 972 603
2.4	изменения официального курса иностранной валюты по отношению к рублю, установленного Банком России	898 084
2.5	иных причин	15 396 905

Президент, Председатель Правления  
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Главный бухгалтер Сбербанка России -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

18 марта 2013 г.

Г.О. Грис  
(Ф.И.О.)

(подпись)

А.В. Кужалов

(подпись)

Место печати



Банковская отчетность				
Код территории по ОКATO	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (/порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

### СВЕДЕНИЯ ОБ ОБЯЗАТЕЛЬНЫХ НОРМАТИВАХ

(публикуемая форма)

по состоянию на 1 января 2013 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409813  
Годовая  
процент

Номер строки	Наименование показателя	Нормативное значение	Фактическое значение	
			на отчетную дату	на предыдущую отчетную дату
1	2	3	4	5
1	Норматив достаточности собственных средств (капитала) банка (Н1)	10.0	12.6	15.0
2	Норматив достаточности собственных средств (капитала) небанковской кредитной организации, имеющей право на осуществление переводов денежных средств без открытия банковских счетов и связанных с ними иных банковских операций (Н1.1)			
3	Норматив мгновенной ликвидности банка (Н2)	15.0	61.4	50.8
4	Норматив текущей ликвидности банка (Н3)	50.0	74.3	72.9
5	Норматив долгосрочной ликвидности банка (Н4)	120.0	99.8	87.3
6	Норматив максимального размера риска на одного заемщика или группу связанных заемщиков (Н6)	25.0	максимальное 16.7 минимальное 0.2	максимальное 17.3 минимальное 0.1
7	Норматив максимального размера крупных кредитных рисков (Н7)	800.0	141.1	125.3
8	Норматив максимального размера кредитов, банковских гарантий и поручительств, предоставленных банком своим участникам (акционерам) (Н9.1)	50.0	0.0	0.0
9	Норматив совокупной величины риска по инсайдерам банка (Н10.1)	3.0	1.0	0.9
10	Норматив использования собственных средств (капитала) банка для приобретения акций (долей) других юридических лиц (Н12)	25.0	0.8	0.7
11	Норматив соотношения суммы ликвидных активов сроком исполнения в ближайшие 30 календарных дней к сумме обязательств РНКО (Н15)			
12	Норматив ликвидности небанковской кредитной организации, имеющей право на осуществление переводов денежных средств без открытия банковских счетов и связанных с ними иных банковских операций (Н15.1)			
13	Норматив максимальной совокупной величины кредитов клиентам - участникам расчетов на завершение расчетов (Н16)			
14	Норматив предоставления РНКО от своего имени и за свой счет кредитов заемщикам, кроме клиентов - участников расчетов (Н16.1)			
15	Норматив минимального соотношения размера предоставленных кредитов с ипотечным покрытием и собственных средств (капитала) (Н17)			
16	Норматив минимального соотношения размера ипотечного покрытия и объема эмиссии облигаций с ипотечным покрытием (Н18)			
17	Норматив максимального соотношения совокупной суммы обязательств кредитной организации - эмитента перед кредиторами, которые в соответствии с федеральными законами имеют приоритетное право на удовлетворение своих требований перед владельцами облигаций с ипотечным покрытием, и собственных средств (капитала) (Н19)			

Президент, Председатель Правления  
ОАО "Сбербанк России"

Главный бухгалтер Сбербанка России -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

18 марта 2013.

Г.О. Греф

(Ф.И.О.)

(подпись)

Место печати

А.В. Кужалов

(Ф.И.О.)

(подпись)





Appendice 2. Annual Accounting (Financial) Statements of PJSC  
"Sberbank of Russia" for 2013 Accounting Year

Банковская отчетность				
Код территории по ОКATO	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

**БУХГАЛТЕРСКИЙ БАЛАНС**  
(публикуемая форма)  
на 1 января 2014 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409806

Квартальная (Годовая)

тыс. руб.

Номер строки	Наименование статьи	Данные на отчетную дату	Данные на соответствующую отчетную дату прошлого года
1	2	3	4
1	<b>АКТИВЫ</b>		
1	Денежные средства	717 319 916	725 051 773
2	Средства кредитных организаций в Центральном банке Российской Федерации	408 802 599	381 207 927
2.1	Обязательные резервы	112 129 198	122 373 578
3	Средства в кредитных организациях	94 301 261	81 464 392
4	Финансовые активы, оцениваемые по справедливой стоимости через прибыль или убыток	144 662 649	101 883 985
5	Чистая ссудная задолженность	11 978 006 945	9 772 750 284
6	Чистые вложения в ценные бумаги и другие финансовые активы, имеющиеся в наличии для продажи	1 744 228 260	1 541 630 850
6.1	Инвестиции в дочерние и зависимые организации	310 871 192	281 233 360
7	Чистые вложения в ценные бумаги, удерживаемые до погашения	403 987 608	361 861 978
8	Основные средства, нематериальные активы и материальные запасы	468 069 623	438 028 479
9	Прочие активы	315 718 369	177 874 551
10	<b>Всего активов</b>	<b>16 275 097 230</b>	<b>13 581 754 219</b>
11	<b>ПАССИВЫ</b>		
11	Кредиты, депозиты и прочие средства Центрального банка Российской Федерации	1 967 035 549	1 367 973 939
12	Средства кредитных организаций	630 459 333	605 450 003
13	Средства клиентов, не являющихся кредитными организациями	11 128 035 158	9 462 176 277
13.1	Вклады физических лиц	7 586 125 879	6 288 049 613
14	Финансовые обязательства, оцениваемые по справедливой стоимости через прибыль или убыток	34 050 544	25 965 548
15	Выпущенные долговые обязательства	404 518 757	331 891 304
16	Прочие обязательства	144 796 061	115 477 162
17	Резервы на возможные потери по условным обязательствам кредитного характера, прочим возможным потерям и операциям с резидентами офшорных зон	31 000 692	21 323 838
18	<b>Всего обязательств</b>	<b>14 339 896 094</b>	<b>11 930 258 071</b>
111	<b>ИСТОЧНИКИ СОБСТВЕННЫХ СРЕДСТВ</b>		
19	Средства акционеров (участников)	67 760 844	67 760 844
20	Собственные акции (доли), выкупленные у акционеров (участников)	0	0
21	Эмиссионный доход	228 054 226	228 054 226
22	Резервный фонд	3 527 429	3 527 429
23	Переоценка по справедливой стоимости ценных бумаг, имеющихся в наличии для продажи	-7 888 290	26 396 638
24	Переоценка основных средств	82 570 859	84 217 444
25	Нераспределенная прибыль (непокрытые убытки) прошлых лет	1 183 526 718	895 365 048
26	Неиспользованная прибыль (убыток) за отчетный период	377 649 350	346 174 519
27	<b>Всего источников собственных средств</b>	<b>1 935 201 136</b>	<b>1 651 496 148</b>
111	<b>ВНЕБАЛАНСОВЫЕ ОБЯЗАТЕЛЬСТВА</b>		
28	Безотзывные обязательства кредитной организации	4 066 272 184	2 573 818 494
29	Выданные кредитной организацией гарантии и поручительства	1 248 567 468	882 103 667
30	Условные обязательства некредитного характера	4 448 150	2 557 660

Президент, Председатель Правления  
ОАО "Сбербанк России"

И.о. Главного бухгалтера Сбербанка России -  
директора Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

" 14 " марта 2014 г.

Г.О. Греф  
(Ф.И.О.)

(подпись)

М.Ю. Лукьянова  
(Ф.И.О.)

(подпись)





Банковская отчетность

Код территории по ОКATO	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

# **ОТЧЕТ О ФИНАНСОВЫХ РЕЗУЛЬТАТАХ** (публикуемая форма)

за 2013 год

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409807

Квартальная (Годовая)

тыс. руб.

Номер строки	Наименование статей	Данные за отчетный период	Данные за соответствующий период прошлого года
1	2	3	4
1	Процентные доходы, всего, в том числе:	1 339 004 869	1 094 015 347
1.1	От размещения средств в кредитных организациях	18 594 533	9 643 007
1.2	От ссуд, предоставленных клиентам, не являющимся кредитными организациями	1 204 934 109	982 415 257
1.3	От оказания услуг по финансовой аренде (лизингу)	0	0
1.4	От вложений в ценные бумаги	115 476 227	101 957 083
2	Процентные расходы, всего, в том числе:	526 327 031	399 092 075
2.1	По привлеченным средствам кредитных организаций	85 073 571	70 213 998
2.2	По привлеченным средствам клиентов, не являющимся кредитными организациями	415 698 283	319 035 780
2.3	По выпущенным долговым обязательствам	25 555 177	9 842 297
3	Чистые процентные доходы (отрицательная процентная маржа)	812 677 838	694 923 272
4	Изменение резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности, средствам, размещенным на корреспондентских счетах, а также начисленным процентным доходам, всего, в том числе:	-39 730 874	-2 935 873
4.1	Изменение резерва на возможные потери по начисленным процентным доходам	-2 493 648	-538 989
5	Чистые процентные доходы (отрицательная процентная маржа) после создания резерва на возможные потери	772 946 964	691 987 399
6	Чистые доходы от операций с финансовыми активами, оцениваемыми по справедливой стоимости через прибыль или убыток	3 293 721	8 405 211
7	Чистые доходы от операций с ценными бумагами, имеющимися в наличии для продажи	7 712 218	3 032 642
8	Чистые доходы от операций с ценными бумагами, удерживаемыми до погашения	-568	-979
9	Чистые доходы от операций с иностранной валютой	216 484	8 758 745
10	Чистые доходы от переоценки иностранной валюты	8 737 371	-3 109 858
11	Доходы от участия в капитале других юридических лиц	3 930 718	3 959 989
12	Комиссионные доходы	188 907 201	159 874 974
13	Комиссионные расходы	17 681 758	15 128 955
14	Изменение резерва на возможные потери по ценным бумагам, имеющимся в наличии для продажи	-1 712	61 800
15	Изменение резерва на возможные потери по ценным бумагам, удерживаемым до погашения	-1 797 855	414 071
16	Изменение резерва по прочим потерям	-15 161 613	632 408
17	Прочие операционные доходы	18 071 721	13 173 217
18	Чистые доходы (расходы)	969 172 892	872 060 664
19	Операционные расходы	466 383 410	397 351 665
20	Прибыль (убыток) до налогообложения	502 789 482	474 708 999
21	Начисленные (уплаченные) налоги	125 140 132	128 534 480
22	Прибыль (убыток) после налогообложения	377 649 350	346 174 519
23	Выплаты из прибыли после налогообложения, всего, в том числе:	0	0
23.1	Распределение между акционерами (участниками) в виде дивидендов	0	0
23.2	Отчисления на формирование и пополнение резервного фонда	0	0
24	Неиспользованная прибыль (убыток) за отчетный период	377 649 350	346 174 519

Президент, Председатель Правления  
ОАО "Сбербанк России"

Г.О. Греф  
(Ф.И.О.)

(подпись)

И.о. Главного бухгалтера Сбербанка России -  
директора Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

М.Ю. Лукьянова  
(Ф.И.О.)

(подпись)



"14" марта 2014 г.

## Банковская отчетность

Код территории по ОКATO	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

**ОТЧЕТ ОБ УРОВНЕ ДОСТАТОЧНОСТИ КАПИТАЛА, ВЕЛИЧИНЕ РЕЗЕРВОВ НА ПОКРЫТИЕ  
СОМНИТЕЛЬНЫХ ССУД И ИНЫХ АКТИВОВ**  
(публикуемая форма)

по состоянию на 1 января 2014 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409808

Квартальная (Годовая)

Номер строки	Наименование показателя	Данные на начало отчетного года	Прирост (+) / снижение (-) за отчетный период	Данные на отчетную дату
1	2	3	4	5
1	Собственные средства (капитал) (тыс. руб.), всего, в том числе:	1 679 091 089	308 656 670	1 987 747 759
1.1	Уставный капитал кредитной организации, в том числе:	67 760 844	0	67 760 844
1.1.1	Номинальная стоимость зарегистрированных обыкновенных акций (долей)	64 760 844	0	64 760 844
1.1.2	Номинальная стоимость зарегистрированных привилегированных акций	3 000 000	0	3 000 000
1.2	Собственные акции (доли), выкупленные у акционеров (участников)	0	0	0
1.3	Эмиссионный доход	228 054 226	0	228 054 226
1.4	Резервный фонд кредитной организации	3 527 429	0	3 527 429
1.5	Финансовый результат деятельности, принимаемый в расчет собственных средств (капитала).	1 220 943 909	307 092 367	1 528 036 276
1.5.1	прошлых лет	896 574 525	286 101 500	1 182 676 025
1.5.2	отчетного года	324 369 384	20 990 867	345 360 251
1.6	Нематериальные активы	4 924 526	4 593 480	9 518 006
1.7	Субординированный кредит (займ, депозит, облигационный займ)	360 745 400	37 442 200	398 187 600
1.8	Источники (часть источников) дополнительного капитала, для формирования которых инвесторами использованы ненадлежащие активы	0	0	0
2	Нормативное значение достаточности собственных средств (капитала), (процентов)	10,0	x	10,0
3	Фактическое значение достаточности собственных средств (капитала), (процентов)	12,6	x	12,9
4	Фактически сформированные резервы на возможные потери (тыс. руб.) всего, в том числе:	646 816 343	294 990	647 111 333
4.1	по ссудам, ссудной и приравненной к ней задолженности	606 238 354	-13 961 412	592 276 942
4.2	по иным активам, по которым существует риск несения потерь, и прочим потерям	19 254 151	4 579 548	23 833 699
4.3	по условным обязательствам кредитного характера, по ценным бумагам, права на которые удостоверяются депозитариями, отраженным на внебалансовых счетах, и срочным сделкам	21 268 658	9 288 811	30 557 469
4.4	под операции с резидентами офшорных зон	55 180	388 043	443 223

Раздел "Справочно":

1	Формирование (доначисление) резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности в отчетном периоде (тыс. руб.) всего:	283 887 814
1.1	выдачи ссуд:	113 651 040
1.2	изменения качества ссуд:	149 440 283
1.3	изменения официального курса иностранной валюты по отношению к рублю, установленного Банком России:	1 242 320
1.4	иных причин:	19 554 171
2	Восстановление (уменьшение) резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности в отчетном периоде (тыс. руб.) всего:	297 849 226
2.1	списания безнадежных ссуд:	53 395 603
2.2	погашения ссуд:	188 542 772
2.3	изменения качества ссуд:	46 258 991
2.4	изменения официального курса иностранной валюты по отношению к рублю, установленного Банком России:	0
2.5	иных причин:	9 651 860

Президент, Председатель Правления  
ОАО "Сбербанк России"

И.о. Главного бухгалтера Сбербанка России -  
директора Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

" 14 " марта 2014 г.

Г.О. Третьяков  
(Ф.И.О.)

(подпись)

М.Ю. Лукьянова  
(Ф.И.О.)

(подпись)



Код территории по ОКАТО	Код кредитной организации (филиала)			
	по ОКПО	основной государственный регистрационный номер	регистрационный номер (порядковый номер)	БИК
45293554000	00032537	1027700132195	1481	044525225

**СВЕДЕНИЯ ОБ ОБЯЗАТЕЛЬНЫХ НОРМАТИВАХ**  
(публикуемая форма)  
по состоянию на 1 января 2014 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"  
ОАО "Сбербанк России"  
Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409813  
Годовая  
процент

Номер п/п	Наименование показателя	Нормативное значение	Фактическое значение	
			на отчетную дату	на предыдущую отчетную дату
1	2	3	4	5
1	Норматив достаточности собственных средств (капитала) банка (Н1)	10.0	12.9	12.6
2	Норматив достаточности собственных средств (капитала) небанковской кредитной организации, имеющей право на осуществление переводов денежных средств без открытия банковских счетов и связанных с ними иных банковских операций (Н1.1)		0.0	0.0
3	Норматив мгновенной ликвидности банка (Н2)	15.0	53.6	61.4
4	Норматив текущей ликвидности банка (Н3)	50.0	38.5	74.3
5	Норматив долгосрочной ликвидности банка (Н4)	120.0	102.5	59.8
6	Норматив максимального размера риска на одного заемщика или группу связанных заемщиков (Н6)	25.0	максимальное 17.3 минимальное 0.1	максимальное 16.7 минимальное 0.2
7	Норматив максимального размера крупных кредитных рисков (Н7)	800.0	128.8	141.1
8	Норматив максимального размера кредитов, банковских гарантий и поручительства, предоставленных банком своим участникам (акционерам) (Н9.1)	50.0	0.0	0.0
9	Норматив совокупной величины риска по инсайдерам банка (Н10.1)	3.0	1.1	1.0
10	Норматив использования собственных средств (капитала) банка для приобретения акций (долей) других юридических лиц (Н12)	25.0	0.9	0.8
11	Норматив соотношения суммы ликвидных активов сроком исполнения в ближайшие 30 календарных дней к сумме обязательств РНКО (Н15)			
12	Норматив ликвидности небанковской кредитной организации, имеющей право на осуществление переводов денежных средств без открытия банковских счетов и связанных с ними иных банковских операций (Н15.1)			
13	Норматив максимальной совокупной величины кредитов клиентам - участникам расчетов на завершение расчетов (Н16)			
14	Норматив предоставления РНКО от своего имени и за свой счет кредитов заемщикам, кроме клиентов - участников расчетов (Н16.1)			
15	Норматив минимального соотношения размера ипотечного покрытия и объема эмиссии облигаций с ипотечным покрытием (Н18)			

Президент, Председатель Правления  
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учета и отчетности ОАО "Сбербанк России"

Г.О.Триф  
(Ф.И.О.)

(подпись)

Место печати

М.Ю. Лукьянова  
(Ф.И.О.)

(подпись)



14 марта 2014 г.

Appendice 3. Annual Accounting (Financial) Statements of PJSC  
"Sberbank of Russia" for 2014 Accounting Year

Банковская отчетность		
Код территории по ОКАТО	Код кредитной организации (фигура) по ОКПО	регистрационный номер (порядковый номер)
45293554000	00032537	1481

**БУХГАЛТЕРСКИЙ БАЛАНС**  
(публикуемая форма)  
на 1 января 2015 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409806  
Квартальная (Годовая)  
тыс. руб

Номер строки	Наименование статьи	Номер пояснения	Данные на отчетную дату	Данные на соответствующую отчетную дату прошлого года
1	2	3	4	5
<b>АКТИВЫ</b>				
1	Денежные средства	5.1	1 240 712 425	717 319 916
2	Средства кредитных организаций в Центральном банке Российской Федерации	5.1	369 675 704	408 802 599
2.1	Обязательные резервы		142 522 154	112 129 198
3	Средства в кредитных организациях	5.1	336 487 333	94 301 261
4	Финансовые активы, оцениваемые по справедливой стоимости через прибыль или убыток	5.2	825 688 140	144 662 649
5	Чистая ссудная задолженность	5.3	15 889 379 335	11 978 006 945
6	Чистые вложения в ценные бумаги и другие финансовые активы, имеющиеся в наличии для продажи	5.4	1 745 489 852	1 744 228 260
6.1	Инвестиции в дочерние и зависимые организации	5.5	385 839 342	310 871 192
7	Чистые вложения в ценные бумаги, удерживаемые до погашения	5.6	366 474 111	403 987 608
8	Требование по текущему налогу на прибыль	4.5	67 037 790	261 236
9	Отложенный налоговый актив		0	0
10	Основные средства, нематериальные активы и материальные запасы	5.7	478 611 700	468 069 623
11	Прочие активы	5.8	407 183 754	315 457 133
12	Всего активов		21 746 760 144	16 275 097 230
<b>ПАСИВЫ</b>				
13	Кредиты, депозиты и прочие средства Центрального банка Российской Федерации		3 515 817 946	1 967 035 549
14	Средства кредитных организаций	5.9	794 856 364	630 459 333
15	Средства клиентов, не являющиеся кредитными организациями	5.10	14 026 723 547	11 128 035 158
15.1	Вклады (средства) физических лиц и индивидуальных предпринимателей	5.10	7 999 051 651	7 655 694 738
16	Финансовые обязательства, оцениваемые по справедливой стоимости через прибыль или убыток		617 944 480	34 050 544
17	Выпущенные долговые обязательства	5.11	513 402 485	404 518 757
18	Обязательство по текущему налогу на прибыль		2 170	0
19	Отложенное налоговое обязательство	4.3	42 891 174	0
20	Прочие обязательства	5.12	216 252 982	144 796 061
21	Резервы на возможные потери по условным обязательствам кредитного характера, прочим возможным потерям и операциям с резидентами офшорных зон		36 530 500	31 000 692
22	Всего обязательств		19 764 421 648	14 339 896 094
<b>ИСТОЧНИКИ СОБСТВЕННЫХ СРЕДСТВ</b>				
23	Средства акционеров (участников)	5.13	67 760 844	67 760 844
24	Собственные акции (доли), выкупленные у акционеров (участников)	5.13	0	0
25	Эмиссионный доход		228 054 226	228 054 226
26	Резервный фонд		3 527 429	3 527 429
27	Переоценка по справедливой стоимости ценных бумаг, имеющихся в наличии для продажи, уменьшенная на отложенное налоговое обязательство (увеличенная на отложенный налоговый актив)	8.5	-197 450 451	-7 888 290
28	Переоценка основных средств, уменьшенная на отложенное налоговое обязательство		80 536 315	82 570 859
29	Нераспределенная прибыль (непокрытые убытки) прошлых лет		1 488 697 172	1 183 526 718
30	Неиспользованная прибыль (убыток) за отчетный период	6	311 212 961	377 649 350
31	Всего источников собственных средств		1 982 338 496	1 935 201 136
<b>ВНЕБАЛАНСОВЫЕ ОБЯЗАТЕЛЬСТВА</b>				
32	Безотзывные обязательства кредитной организации		8 908 307 537	4 418 106 644
33	Выданные кредитной организацией гарантии и поручительства		1 625 269 457	1 248 567 468
34	Условные обязательства некредитного характера		37 087	4 448 130

Президент, Председатель Правления  
ОАО "Сбербанк России"

Г.О. Гурев

Главный бухгалтер -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

М.Ю. Лукьянова

16 марта 2015г.





Банковская отчетность

Код территории по ОКТО	Код кредитной организации (филиала)	
	по ОКПО	регистрационный номер (порядковый номер)
45293554000	00032537	1481

# ОТЧЕТ О ФИНАНСОВЫХ РЕЗУЛЬТАТАХ (публикуемая форма)

за 2014 год

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по ОКУД 0409807

Квартальная (Годовая)

тыс. руб.

Номер строки	Наименование статьи	Номер пояснения	Данные за отчетный период	Данные за соответствующий период прошлого года
1	2	3	4	5
1	Процентные доходы, всего, в том числе:	6.1	1 661 885 356	1 339 004 869
1.1	от размещения средств в кредитных организациях		31 835 665	18 594 533
1.2	от ссуд, предоставленных клиентам, не являющимся кредитными организациями		1 500 795 759	1 204 934 109
1.3	от оказания услуг по финансовой аренде (лизингу)		0	0
1.4	от вложений в ценные бумаги		129 253 932	115 476 227
2	Процентные расходы, всего, в том числе:	6.2	702 161 479	526 327 031
2.1	по привлеченным средствам кредитных организаций		189 112 244	85 073 571
2.2	по привлеченным средствам клиентов, не являющимся кредитными организациями		487 049 747	415 698 283
2.3	по выпущенным долговым обязательствам		25 999 488	25 555 177
3	Чистые процентные доходы (отрицательная процентная маржа)		959 723 877	812 677 838
4	Изменение резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности, средствам, размещенным на корреспондентских счетах, а также начисленным процентным доходам, всего, в том числе:	3.2	-279 570 299	-39 730 874
4.1	изменение резерва на возможные потери по начисленным процентным доходам		-2 403 074	-2 493 648
5	Чистые процентные доходы (отрицательная процентная маржа) после создания резерва на возможные потери		680 153 578	772 946 964
6	Чистые доходы от операций с финансовыми активами, оцениваемыми по справедливой стоимости через прибыль или убыток		-64 381 373	3 293 721
7	Чистые доходы от операций с ценными бумагами, имеющимися в наличии для продажи	8.5	-12 662 037	7 712 218
8	Чистые доходы от операций с ценными бумагами, удерживаемыми до погашения		-617	-568
9	Чистые доходы от операций с иностранной валютой		-1 472 913	216 484
10	Чистые доходы от переоценки иностранной валюты		172 702 496	8 737 371
11	Доходы от участия в капитале других юридических лиц		5 332 089	3 930 718
12	Комиссионные доходы	6.3	241 114 334	188 907 201
13	Комиссионные расходы	6.3	23 939 331	17 681 758
14	Изменение резерва на возможные потери по ценным бумагам, имеющимся в наличии для продажи		78 023	-1 712
15	Изменение резерва на возможные потери по ценным бумагам, удерживаемым до погашения		238 449	-1 797 855
16	Изменение резерва по прочим потерям		-11 517 623	-15 161 613
17	Прочие операционные доходы		42 227 454	18 071 721
18	Чистые доходы (расходы)		1 027 872 529	969 172 892
19	Операционные расходы	6.4	598 666 217	466 383 410
20	Прибыль (убыток) до налогообложения		429 206 312	502 789 482
21	Возмещение (расход) по налогам	6.5	117 993 351	125 140 132
22	Прибыль (убыток) после налогообложения	6	311 212 961	377 649 350
23	Выплаты из прибыли после налогообложения, всего, в том числе:		0	0
23.1	распределение между акционерами (участниками) в виде дивидендов		0	0
23.2	отчисления на формирование и пополнение резервного фонда		0	0
24	Неиспользованная прибыль (убыток) за отчетный период	6	311 212 961	377 649 350

Президент, Председатель Правления  
ОАО "Сбербанк России"

Г.О. Треф  
(Ф.И.О.)

Главный бухгалтер -  
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М.Ю. Лукьянова  
(Ф.И.О.)



18 марта 2015.

Базисная отчетность

Код территории по	Код кредитной организации (фактала)	
	по ОКПО	регистрационный номер (порядковый номер)
45293554000	00032537	1481

# **ОТЧЕТ ОБ УРОВНЕ ДОСТАТОЧНОСТИ КАПИТАЛА ДЛЯ ПОКРЫТИЯ РИСКОВ, ВЕЛИЧИНЕ РЕЗЕРВОВ НА ПОКРЫТИЕ СОМНИТЕЛЬНЫХ ССУД И ИНЫХ АКТИВОВ**

(публикуемая форма)

на 1 января 2015 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г.Москва, ул.Вавилова, 19

Код формы по СКУД 0409808

Квартальная (Годовая)

**Риски 1. Информация об уровне достаточности капитала**

Номер строки	Наименование показателя	Номер пояснения	Данные на начало отчетного года <4>	Прирост (+) / снижение (-) за отчетный период	Данные на отчетную дату
1	2	3	4	5	6
1	Собственные средства (капитал) (тыс. руб.), всего, в том числе:	8	1 972 891 617	338 638 811	2 311 530 428
1.1	Источники базового капитала:	8.1	1 584 392 213	294 685 453	1 879 077 666
1.1.1	Уставный капитал, всего, в том числе, сформированный:		8 710 844	0	8 710 844
1.1.1.1	обыкновенными акциями (долями)		8 710 844	0	8 710 844
1.1.1.2	приоритетными акциями		0	0	0
1.1.2	Законченный доход		238 054 226	0	238 054 226
1.1.3	Резервный фонд		3 527 429	0	3 527 429
1.1.4	Нераспределенная прибыль:		1 344 099 714	294 685 453	1 638 785 167
1.1.4.1	прошлых лет		1 207 311 262	280 141 863	1 487 453 125
1.1.4.2	отчетного года		136 788 452	14 543 590	151 332 042
1.2	Показатели, уменьшающие источники базового капитала:		0	х	251 514 673
1.2.1	Нематериальные активы		0	х	3 284 168
1.2.2	Отложенные налоговые активы		0	0	0
1.2.3	Собственные акции (доли), выкупленные у акционеров (участников)		0	0	0
1.2.4	Убыток:		0	0	0
1.2.4.1	прошлых лет		0	0	0
1.2.4.2	отчетного года		0	0	0
1.2.5	Инвестиции в капитал финансовых организаций:		0	х	24 866 198
1.2.5.1	несущественные		0	0	0
1.2.5.2	существенные		0	х	24 866 198
1.2.5.3	совокупная сумма существенных вложений и совокупная сумма отложенных налоговых активов		0	0	0
1.2.6	Отрицательная величина избыточного капитала		0	х	223 364 307
1.2.7	Обязательство по приобретению источников базового капитала		0	0	0
1.2.8	Средства, поступившие в оплату акций (долей), включенные в состав базового капитала		0	0	0
1.3	Базовый капитал		1 584 392 213	43 170 780	1 627 562 993

1.4	Источники добавочного капитала:	8.1	0	0	0
1.4.1	Уставный капитал, сформированный привилегированными акциями, всего, в том числе:		0	0	0
1.4.1.1	выпущенные в соответствии с Федеральным законом от 18 июля 2009 года №181-ФЗ "Об использовании государственных ценных бумаг Российской Федерации для повышения капитализации банков" <1>		0	0	0
1.4.2	Эмиссионный доход		0	0	0
1.4.3	Субординированный заем с дополнительными условиями		0	0	0
1.4.4	Субординированный кредит (депозит, заем, облигационный заем) без ограничения срока привлечения		0	0	0
1.5	Показатели, уменьшающие источники добавочного капитала		0	0	0
1.5.1	Вложения в собственные привилегированные акции		0	0	0
1.5.2	Инвестиции в капитал финансовых организаций:		0	0	0
1.5.2.1	несущественные		0	0	0
1.5.2.2	существенные		0	0	0
1.5.3	Субординированный кредит (депозит, заем, облигационный заем), предоставленный финансовым организациям		0	0	0
1.5.3.1	несущественный		0	0	0
1.5.3.2	существенный		0	0	0
1.5.4	Отрицательная величина дополнительного капитала		0	0	0
1.5.5	Обязательства по приобретению источников добавочного капитала		0	0	0
1.5.6	Средства, поступившие в оплату акций (долей), включенные в состав добавочного капитала		0	0	0
1.6	Добавочный капитал		0	0	0
1.7	Основной капитал		1 264 002 738	363 560 255	1 627 562 993
1.8	Источники дополнительного капитала	8.1	708 888 879	9 191 825	718 080 704
1.8.1	Уставный капитал, сформированный привилегированными акциями, всего, в том числе:		45 000	-5 000	40 000
1.8.1.1	после 1 марта 2013 года		0	0	0
1.8.2	Уставный капитал, сформированный за счет капитализации прироста стоимости имущества		59 000 000	0	59 000 000
1.8.3	Прибыль:		175 631 260	-62 008 391	113 622 869
1.8.3.1	текущего года		175 631 260	-62 008 391	113 622 869
1.8.3.2	прошлых лет		0	0	0
1.8.4	Субординированный кредит (депозит, заем, облигационный заем), всего, в том числе:	8.1	391 641 760	73 241 760	464 883 520
1.8.4.1	привлеченный (размещенный) до 1 марта 2013 года		58 912 560	-6 545 840	52 366 720
1.8.4.2	предоставленный в соответствии с Федеральным законом от 13 октября 2008 года №173-ФЗ "О дополнительных мерах по поддержке финансовой системы Российской Федерации" <2> и Федеральным законом от 27 октября 2008 года №175-ФЗ "О дополнительных мерах для укрепления стабильности банковской системы в период до 31 декабря 2014 года" <3>		300 000 000	0	300 000 000
1.8.5	Прирост стоимости имущества		82 570 859	-2 094 544	80 536 315
1.9	Показатели, уменьшающие источники дополнительного капитала		0	x	34 113 732
1.9.1	Вложения в собственные привилегированные акции		0	0	0
1.9.2	Инвестиции в капитал финансовых организаций:		0	x	1 509
1.9.2.1	несущественные		0	0	0
1.9.2.2	существенные		0	x	1 509
1.9.3	Субординированный кредит (депозит, заем, облигационный заем), предоставленный финансовым организациям		0	x	34 113 732

1.9.3.1	несущественный		0	0	0
1.9.3.2	существенный		0	x	34 113 732
1.9.4	Обязательства по приобретению источников дополнительного капитала		0	0	0
1.9.5	Средства, поступившие в оплату акций (долей), включенные в состав дополнительного капитала		0	0	0
1.10	Показатели, уменьшающие сумму основного и дополнительного капитала:		0	x	28
1.10.1	Прочтенная дебиторская задолженность длительностью свыше 30 календарных дней		0	x	28
1.10.2	Субординированные кредиты, стоимость которых не превышает 1 процента от величины уставного капитала кредитной организации-заемщика		0	0	0
1.10.3	Превышение совокупной суммы кредитов, банковских гарантий и поручительств, предоставленных своим участникам (акционерам) и инвекторам, над ее максимальным размером в соответствии с федеральными законами и внутренними актами Банка России		0	0	0
1.10.4	Превышение вложений в строительство, изготовление и приобретение основных средств над суммой источников основного и дополнительного капитала		0	0	0
1.10.5	Превышение действительной стоимости доли вышедшего участника общества с ограниченной ответственностью над стоимостью, по которой доля была реализована долговому участнику общества с ограниченной ответственностью		0	0	0
1.11	Дополнительный капитал		708 888 879	-24 921 444	683 967 435
2	Активы, включенные по уровню риска (таб. №6) <5>		x	x	x
2.1	необходимые для определения достаточности базового капитала	8.2	15 735 858 495	4 006 646 897	19 742 505 392
2.2	необходимые для определения достаточности основного капитала	8.2	15 735 858 495	4 006 646 897	19 742 505 392
3	Достаточность капитала (процент) <5>		x	x	x
3.1	Достаточность базового капитала	8.3	10.1	x	8.2
3.2	Достаточность основного капитала	8.3	8.0	x	8.2
3.3	Достаточность обобщенных средств (капитала)	8.3	12.5	x	11.6

<1> Федеральный закон от 18 июля 2009 года №181-ФЗ "Об использовании государственных ценных бумаг Российской Федерации для повышения капитализации банков" (Собрание законодательства Российской Федерации, 2009, №29, ст.3618; 2012, №31, ст.4334, №52, ст.6961).

<2> Федеральный закон от 13 октября 2008 года №173-ФЗ "О дополнительных мерах по поддержке финансовой системы Российской Федерации" (Собрание законодательства Российской Федерации, 2008, №42, ст.4698; 2009, №20, ст.3605; №48, ст.5729; №52, ст.6437; 2010, №8, ст.776; №21, ст.2539; №31, ст.4175).

<3> Федеральный закон от 27 октября 2008 года №175-ФЗ "О дополнительных мерах для укрепления стабильности банковской системы в период до 31 декабря 2014 года" (Собрание законодательства Российской Федерации, 2008, №44, ст.4981; 2009, №29, ст.3630; 2011, №19, ст.7059; 2013, №19, ст.2308).

<4> Данные на начало года соответствуют данным форм отчетности 0409123 и 0409124 на 01.01.2014, составленные в соответствии с требованиями Положения Банка России от 28.12.2012 №195-П и Указания Банка России от 04.09.2013 №3054-У. При этом, в строке 1.7 учтены показатели, уменьшающие источники основного капитала, в объеме 320 млрд. руб.

<5> Значения нормативов достаточности капитала на отчетную дату рассчитаны с учетом правил, изложенных в Положении Банка России от 18.12.2014 №211-Т.

Риски 2. Сведения о величии кредитного, операционного и рыночного рисков, выраженных капиталом

## Подраздел 2.1. Кредитный риск:

Номер строки	Наименование показателя	Номер пояснения	тыс.руб.					
			Данные на отчетную дату «3»			Данные на соответствующую отчетную дату прошлого года		
			Стоимость активов (инструментов)	Активы (инструменты) за вычетом сформированных резервов на возможные потери	Стоимость активов (инструментов), взвешенных по уровню риска	Стоимость активов (инструментов)	Активы (инструменты) за вычетом сформированных резервов на возможные потери	Стоимость активов (инструментов), взвешенных по уровню риска
1	2	3	4	5	6	7	8	9
1	Кредитный риск по активам, отраженным на балансовых счетах	8.2	16 057 504 949	15 387 999 786	11 082 226 791	14 120 381 377	13 569 345 018	9 863 374 563
1.1	Активы с коэффициентом риска «0»							
1.1.1	0 процентов, всего, из них:		3 152 067 633	3 150 863 829	0	3 845 339 376	2 842 264 537	0
1.1.2	депозиты и обязательные резервы, депонированные в Банке России		1 286 024 434	1 286 024 434	0	828 287 589	828 287 589	0
1.1.3	кредитные требования и другие требования, обеспеченные гарантиями Российской Федерации, Минфина России и Банка России и залогом государственных долговых ценных бумаг Российской Федерации, Минфина России и Банка России	*	383 638 011	383 193 258	0	275 076 514	272 332 483	0
1.1.3.1	кредитные требования и другие требования к центральному банку или правительству стран, имеющих статусные оценки «1», «2», «3», в том числе обеспеченные гарантиями этих стран и так далее		0	0	0	152 751	152 751	0
1.2	Активы с коэффициентом риска 20 процентов, всего, из них:		1 255 138 076	1 244 766 120	248 953 224	894 017 082	826 781 349	165 356 250
1.2.1	кредитные требования и другие требования к субъектам Российской Федерации, муниципальным образованиям, к иным организациям, обеспеченные гарантиями и залогом ценных бумаг субъектов Российской Федерации и муниципальных образований		707 683 183	705 339 885	153 067 977	662 061 022	594 819 611	118 978 322
1.2.2	кредитные требования и другие требования к центральному банку или правительству стран, имеющих статусную оценку «2», в том числе обеспеченные их гарантиями (залогом ценных бумаг)		0	0	0	0	0	0
1.2.3	кредитные требования и другие требования к кредитным организациям - резидентам стран со страновой оценкой «0», «1», «2», «3», не имеющие рейтинга долгосрочной кредитоспособности «3», в том числе обеспеченные их гарантиями		447 999 132	439 968 504	87 993 701	143 793 146	143 793 146	28 739 029
1.3	Активы с коэффициентом риска 50 процентов, всего, из них:		325 231 830	321 894 743	160 947 373	408 036 797	407 485 149	203 742 575
1.3.1	кредитные требования и другие требования в иностранной валюте, обеспеченные гарантиями Российской Федерации, Минфина России и Банка России и залогом государственных долговых ценных бумаг Российской Федерации, Минфина России и Банка России, номинированные в иностранной валюте		46 726 621	46 625 036	23 312 518	39 342 888	38 796 852	19 398 426
1.3.2	кредитные требования и другие требования к центральному банку или правительству стран, имеющих статусную оценку «3», в том числе обеспеченные их гарантиями (залогом ценных бумаг)		348 886	348 886	174 443	0	0	0
1.3.3	кредитные требования и другие требования к кредитным организациям - резидентам стран со страновой оценкой «0», «1», «2», не имеющие рейтинга долгосрочной кредитоспособности, и к кредитным организациям - резидентам стран со страновой оценкой «2», в том числе обеспеченные их гарантиями		113 056 262	113 056 262	56 528 131	98 465 703	98 465 703	49 222 852
1.4	Активы с коэффициентом риска 100 процентов, всего, из них:		11 321 174 205	10 666 572 887	10 666 572 887	9 970 346 783	9 489 890 714	9 489 890 714
1.4.1	сущая задолженность юридических лиц «4»		6 511 018 241	6 023 805 736	6 023 805 736	x	x	x
1.5	Активы с коэффициентом риска 150 процентов - кредитные требования и другие требования к центральному банку или правительству стран, имеющих статусную оценку «7»		3 902 205	3 903 205	5 853 207	2 923 349	2 923 349	4 385 024
2	Активы с повышенным коэффициентом риска всего, в том числе:	8.3	3 773 227 542	3 397 186 038	3 908 058 279	2 232 515 901	2 123 086 254	2 452 208 572
2.1	с коэффициентом риска 110 процентов		2 374 509 167	2 460 287 036	2 202 709 806	1 428 602 454	1 371 763 098	1 325 223 705
2.2	с коэффициентом риска 150 процентов		1 198 718 375	1 126 898 982	1 705 348 473	868 913 447	751 323 245	1 126 984 867
3	Кредиты на потребительские цели всего, в том числе:	8.3	80 043 164	73 540 799	80 947 743	63 375 602	61 873 413	68 094 866
3.1	с коэффициентом риска 110 процентов		79 938 953	73 441 212	80 785 334	63 312 316	61 816 790	67 996 268
3.2	с коэффициентом риска 140 процентов		72 212	68 104	95 346	8 066	6 049	5 669
3.3	с коэффициентом риска 170 процентов		23 623	23 087	39 247	54 762	54 065	91 911
3.4	с коэффициентом риска 200 процентов		0	0	0	724	309	1 018
3.5	с коэффициентом риска 300 процентов		8 968	7 520	22 361	0	0	0
3.6	с коэффициентом риска 600 процентов		1 308	876	5 255	0	0	0
4	Кредитный риск по условным обязательствам кредитного характера, всего, в том числе:	8.2	3 367 247 585	3 270 728 064	1 460 133 469	2 974 605 304	2 944 951 447	1 202 907 432
4.1	по финансовым инструментам с высоким риском		1 465 318 220	1 447 736 936	1 440 261 444	1 182 356 663	1 177 147 122	1 161 827 413
4.2	по финансовым инструментам со средним риском		5 085 999	5 114 718	2 425 868	47 066 762	46 957 558	23 489 839
4.3	по финансовым инструментам с низким риском		87 190 737	87 190 737	17 446 157	87 829 575	87 781 826	17 590 160
4.4	по финансовым инструментам без риска		1 749 052 669	1 720 683 673	0	1 657 352 304	1 633 064 941	0
5	Кредитный риск по производным финансовым инструментам	8.3	400 031 812	400 031 812	612 261 978	88 153 435	88 153 435	114 948 911



## Подраздел 2.1. Операционный риск

(тыс. руб. (млн-во))

Номер строки	Наименование показателя	Номер пояснения	Данные на отчетную дату	Данные на соответствующую отчетную дату прошлого года
1	2	3	4	5
6	Операционный риск, всего, в том числе:	8.2	130 794 311	111 864 575
6.1	Детализация для целей расчета капитала по покрытию операционного риска, всего, в том числе:		871 962 026	745 763 636
6.1.1	чистые процентные доходы		694 475 679	591 194 139
6.1.2	чистые непроцентные доходы		177 486 397	154 569 497
6.2	Количество лет, предшествующих дате расчета величины операционного риска		3	3

## Подраздел 2.3. Рыночный риск

тыс. руб.

Номер строки	Наименование показателя	Номер пояснения	Данные на отчетную дату	Данные на соответствующую отчетную дату прошлого года
1	2	3	4	5
7	Совокупный рыночный риск, всего, в том числе:	8.2	207 334 314	361 007 112
7.1	процентный риск, всего <1>, в том числе:		12 731 635	9 107 879
7.1.1	общий		11 427 925	5 576 925
7.1.2	специальный		1 303 710	3 530 954
7.2	фондовый риск, всего, в том числе:		0	167 510
7.2.1	общий		0	83 755
7.2.2	специальный		0	83 755
7.3	валютный риск		48 188 876	145 064 749

&lt;1&gt; Информация на отчетную дату рассчитана с учетом принципов, изложенных в Положении Банка России от 18.12.2014 №211-Т.

## Раздел 3. Информация о величине резервов на покрытие сомнительных ссуд и иных активов

тыс. руб.

Номер строки	Наименование показателя	Номер пояснения	Данные на начало отчетного года	Прирост (+) / снижение (-) за отчетный период	Данные на отчетную дату
1	2	3	4	5	6
1	Фактически сформированные резервы на возможные потери, всего, в том числе:	9.2	647 111 333	225 644 473	872 755 806
1.1	по ссудам, ссудной и приравненной к ней задолженности		592 276 942	230 884 675	813 161 617
1.2	по иным балансовым активам, по которым существует риск понижения потерь, и прочие потери		23 833 699	-770 010	23 063 689
1.3	по условным обязательствам кредитного характера и ценным бумагам, права на которые удостоверяются депозитарием, не удовлетворяющим критериям Банка России, отраженным на внебалансовых счетах		30 557 469	5 954 668	36 512 137
1.4	под опцион с риском потерь от опциона		443 223	-424 860	18 363

## Раздел "Справочно"

Информация о движении резерва на возможные потери по ссудам, ссудной и приравненной к ней задолженности (Номер пояснения: 5.3)

1	Формирование (доначисление) резерва в отчетном периоде (тыс. руб.), всего (номер пояснения: 5.3)	549 219 963
	в том числе в виде:	
1.1	выдачи ссуд	167 806 488
1.2	изменения качества ссуд	317 162 133
1.3	изменения официального курса иностранной валюты по отношению к рублю, установленного Банком России	7 035 337
1.4	иных причин	57 216 005
2	Восстановление (уменьшение) резерва в отчетном периоде (тыс. руб.), всего (номер пояснения: 5.3)	328 335 288
	в том числе в виде:	
2.1	списания безнадежных ссуд	58 846 442
2.2	погашения ссуд	205 607 839
2.3	изменения качества ссуд	53 417 217
2.4	изменения официального курса иностранной валюты по отношению к рублю, установленного Банком России	0
2.5	иных причин	10 433 790

Президент, Председатель Правления  
ОАО "Сбербанк России"Главный бухгалтер -  
директор Управления бухгалтерского  
учета и отчетности ОАО "Сбербанк России"

18 марта 2015

Г.О. Гроф  
(Ф.И.О.)

(подпись)

М.Ю. Лукьянова  
(Ф.И.О.)

(подпись)



Банковская отчетность		
Код территории по	Код кредитной организации	
	по ОКПО	регистрационный номер (идентификационный номер)
45293554000	00022537	1481

**СВЕДЕНИЯ ОБ ОБЯЗАТЕЛЬНЫХ НОРМАТИВАХ**  
(публикуемая форма)  
на 1 января 2015 года

Кредитной организации: Открытое акционерное общество "Сбербанк России"

ОАО "Сбербанк России"

Почтовый адрес: 117997, г. Москва, ул. Вавилова, 19

Код формы по ОКУД 0409813  
Квартальная (Годовая)  
в процентах

Номер строки	Наименование показателя	Номер пояснения	Нормативное значение	Фактическое значение	
				на отчетную дату <1>	на соответствующую отчетную дату прошлого года <2>
1	2		3	4	5
1	Норматив достаточности базового капитала (Н1.1)	8.3	5.3	8.2	10.1
2	Норматив достаточности основного капитала банка (Н1.2)	8.3	5.5	8.2	8.0
3	Норматив достаточности собственных средств (капитала) банка (норматив Н1.0)	8.3	10.0	11.6	12.5
4	Норматив достаточности собственных средств (капитала) небанковской кредитной организации, имеющей право на осуществление переводов денежных средств без открытия банковских счетов и связанных с ними иных банковских операций (Н1.3)				
5	Норматив мгновенной ликвидности банка (Н2)	9.3	15.0	74.3	53.6
6	Норматив текущей ликвидности банка (Н3)	9.3	50.0	66.4	58.5
7	Норматив долгосрочной ликвидности банка (Н4)	9.3	120.0	111.2	102.5
8	Норматив максимального размера риска на одного заемщика или группу связанных заемщиков (Н6)	9.2	25.0	максимальное нормативное 19.2 минимальное 0.2	максимальное нормативное 17.3 минимальное 0.1
9	Норматив максимального размера крупных кредитных рисков (Н7)	9.2	800.0	207.3	128.8
10	Норматив максимального размера кредитов, банковских гарантий и поручительств, предоставленных банком своим участникам (акционерам) (Н9.1)		50.0	3.0	0.0
11	Норматив совокупной величины риска по инсайдеру банка (Н10.1)		3.0	1.0	1.1
12	Норматив использования собственных средств (капитала) банка для приобретения акций (долей) других юридических лиц (Н12)		25.0	9.5	3.9
13	Норматив соотношения суммы ликвидных активов сроком исполнения в ближайшие 30 календарных дней к сумме обязательств РНКО (Н15)				
14	Норматив ликвидности небанковской кредитной организации, имеющей право на осуществление переводов денежных средств без открытия банковских счетов и связанных с ними иных банковских операций (Н15.1)				
15	Норматив максимальной совокупной величины кредитов клиентам - участникам расчетов на завершение расчетов (Н16)				
16	Норматив предоставления РНКО от своего имени и за свой счет кредитов заемщикам, кроме клиентов - участников расчетов (Н16.1)				
17	Норматив минимального соотношения размера ипотечного покрытия и объема эмиссии облигаций с ипотечным покрытием (Н18)				

<1> Значения нормативов достаточности капитала рассчитаны с учетом принципов, изложенных в Письме Банка России от 18.12.2014 №211-Т

<2> Значения нормативов достаточности капитала соответствуют данным форм отчетности 0409124 на 01.01.2014, составленной в соответствии с требованиями Положения Банка России от 28.12.2012 №395-П и Указания Банка России от 04.09.2013 №3634-У

Президент, Председатель Правления  
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учета и отчетности ОАО "Сбербанк России"

18. марта 2015.

М.Ю. Лукьянова

Место печати

СБЕРБАНК

г. Москва